

Ontario - Legislative assembly - Committees
Select committee on consumer credit
Hearings

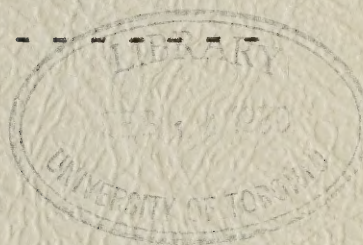
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SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of hearings held at the
Parliament Bldgs. Toronto, Ontario,
on the 16th day of November, 1964





November 16, 1964

1 THE CHAIRMAN: (Opening remarks missed
2 due to power failure) Mr. Hawkrigg will present the
3 brief on behalf of his Association, the Direct Sellers
4 Association.


5 MR. M. M. HAWKRIGG: Mr. Chairman and
6 honourable members, gentlemen, my name is Hawkrigg and
7 I am Vice-President of the Direct Sellers Association
8 and it is my privilege to be chairman of this
9 delegation in presenting the Direct Sellers brief to
10 the Select Committee. I would like to express our
11 appreciation to the Committee for allowing us to make
12 this presentation and I would also like to explain at
13 the outset that in our brief we have taken great pains
14 to explain exactly who we are and what we stand for.

15 We have found over the past
16 few years that not enough people know exactly who we
17 are and what we are trying to do. Before going ahead
18 with the brief I would like to ask the Chairman if you
19 wish that I read the brief while you gentlemen review
20 it -- I realize this is shorter notice than even I
21 get when we have our Board meetings for any presentations.

22 THE CHAIRMAN: Yes. It is not long,
23 so we would prefer, I think, for you to read it.

24 MR. HAWKRIGG: Very good. I was just
25 wondering, can the accused have a little water before
26 we start? (Laughter)

27 Well, gentlemen, the Direct
28 Sellers Association represents a group of well-known,
29 long established Canadian manufacturers, who distribute
30 their products direct to the homes through independent



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1 retailers. It is affiliated with the Canadian Manu-
2 facturers Association as a trade section and its staff
3 is provided by the C.M.A. A list of the members is
4 attached to this submission as Appendix A.

5 Now I don't want to belabour
6 the list of memberships at the moment. We can possibly
7 review these at a later time.

8 Direct selling is one of the
9 oldest forms of merchandising in the country. In
10 pioneer days home to home selling was responsible for
11 introducing new products and creating both a demand
12 and a steady market for them in Canadian homes.
13 Direct selling has also been largely responsible for
14 creating the initial market for many items now in daily
15 use, such as washing machines, vacuum cleaners, nylon
16 stockings, aluminum cookware, flat ironing boards,
17 plastic cookware, etc. Manufacturers who employ this
18 direct to the consumer method of selling their products
19 do so because experience has proved to them that it is
20 the most effective means of marketing and servicing the
21 particular products which they manufacture.

22 By the same token a great many
23 Canadian consumers find that many products are best
24 purchased in the homes where demonstrations, personal
25 service and convenience are in demand. The Association
26 was formed in 1954 to enable Canadian manufacturers to
27 represent the true face of their industry to the
28 Canadian public; to help the public, in turn, to
29 recognize bona fide representatives of established
30 companies. An active programme of public relations has



stressed the real relationship between direct seller and the customer to help establish customer confidence in the dealer, the products he or she sells and the manufacturing companies behind those products.

The direct sellers of today are average, everyday people from all walks of life, who enjoy the challenge of being independent businessmen and women and who can tailor their own working habits to fit their own requirements. They have varying degrees of education and business experience. For many direct selling is the first venture into selling as a career. The majority of men and women direct sellers are your neighbours. Most live in the communities where they carry on their work. A large percentage own or in the process of buying their own homes. Almost all are married and have families attending local schools. Many own their own cars to lighten their daily work load. In other words, the direct seller of today functions like any other retailer retaining his profits within his home town after paying for his merchandise.

Because direct selling allows a person to run his own business, set his own working hours and conditions, and is not restricted by age or inclination, it employs thousands of people who might otherwise become financial liabilities to the communities where they live.

The handicapped widows and widowers with dependent children and pensioners are among the thousands who have found direct selling a means of earning their livelihood or supplementing meagre



1 incomes. An additional and immeasurable advantage
2 to these people mentioned is the mental life and new
3 interest in life that they gain through their financial
4 independence. The Direct Sellers Association has an
5 established code of ethics, a copy of which is also
6 attached as Appendix B, and to which I would refer the
7 honourable members, and which I would also like to
8 read at this time.

9 "As member companies we shall
10 produce completely engineered and quality merchandise
11 manufactured from good material and to a fine standard
12 of workmanship, assign to our products accurate and
13 dependable claims and ratings for satisfactory per-
14 formance over a reasonable period, promote ethical
15 representation of materials and workmanship and
16 capabilities of our merchandise as recorded in printed
17 guarantees attached to or accompanying our merchandise.
18 To the best of our abilities encourage the development
19 of high calibre, independent distributors, who will
20 deliver sales presentations in an honest and dignified
21 manner, devoid of deceptive claims and guarantees.
22 Constantly strive to maintain and improve the present
23 standard of direct salesmanship practice by member
24 companies and to avoid statements which tend to injure
25 or discredit a competitor."

26 The Direct Sellers Association
27 has an established code of ethics to which its members
28 subscribe wholeheartedly. It is a general expression
29 of the business tenets that have guided these manu-
30 facturers throughout their many, many years of doing



1 business rather than a set of rules of procedure. Its
2 adherents regard the axioms as sound and ethical business
3 procedures which they practice in full. This code is
4 the basis of building customer good-will. Best of
5 all it is self-imposed and indicative of the
6 Association's belief that it is through education, not
7 legislation, that the greatest protection is afforded
8 the consumer.

9 The public responsibility of
10 the members of this Association has long been
11 established through close cooperation with municipal
12 and provincial officials across the country. Further,
13 the Association maintains a liaison and close cooperation
14 with the Better Business Bureau and Chambers of
15 Commerce. An example of this cooperation is a booklet
16 entitled "Facts You Should Know About Door-to-Door
17 Selling", published by the Toronto Better Business
18 Bureau with the collaboration of the Association. It
19 is attached to this brief as Appendix C.

20 Attached as Appendix D and E
21 are pamphlets published by our own Association entitled
22 "On Your Behalf" and "Direct Selling -- Convenience
23 Plus". These pamphlets provide more detailed background
24 and information about the industry, the members and
25 the role of direct selling and direct sellers.

26 I might interject at this
27 moment to make the honourable members aware that these
28 pamphlets are available to all Better Business Bureaus
29 and Chambers of Commerce for distribution to any
30 interested consumers.



1 Direct selling embraces several
2 basic forms of marketing such as: (a) the satisfied
3 user method in which the customer provides the sales
4 person with leads for new customers. This form of
5 selling is one of the basic forms of prospecting for
6 customers, much in vogue, the sale of both goods and
7 services. Examples are life underwriting and the sale
8 of custom made merchandise. The essence of this method
9 is embodied in a phrase often promoted by retail stores.
10 "Please tell your friends if you are satisfied and tell
11 us if you are not".

12 (b) The Party Plan in which
13 a customer is host for a party of friends for whom a
14 product demonstration is arranged by the seller and
15 sales are made.

16 (c) The appointment plan in
17 which the sales person meets a customer in his home by
18 appointment only. This involves considerable research
19 and customer selection.

20 (d) The door-to-door or cold
21 canvas method involving the solicitation of customers
22 initially by direct approach to the homes. Usually
23 a sales person will use this method to build up a
24 clientele or route which is travelled with some regularity.
25 There are many variations and refinements of these basic
26 methods.

27 Consumer credit. We do not
28 propose to dwell on the general subject of credit except
29 to state that it is an important factor in direct
30 selling as in any other form of marketing. Without this



invention business would not be as advanced as it is today. To restrict or withdraw it would restrict or stifle business enterprise and harm the nation's economy immeasurably.

Borrowing charges. With respect to proposals that the total charges of borrowing money be revealed we are in full agreement. Those of our members who are involved in time payment plans already insure that information as to carrying charges is fully revealed in all contracts.

Waiting periods. The Association appreciates the opportunity to make its views known on the subject of the waiting period proposed by the Canadian Association of Consumers and others to apply directly to door-to-door selling. This post contract period has been termed "decompression time" or a "cooling off period". Our members are opposed to this measure unalterably. The principle is unsound in terms of contemporary business practices and rank discrimination when it is aimed specifically at direct selling and not at any other form of marketing. It is our view that the case for a waiting period has not been proven. We suggest that the need should have been established by the means of a careful analysis of all conditional sales contracts and a determination of the percentage of those that have created hardships for the purchaser as a result of overselling and the signing of the initial contract. This has evidently not been done by the proponents of the waiting period. On the contrary, it would appear that a markedly



1 emotional reaction to a few publicized reports has
2 provided grounds for these proposals.

3 Consider first the principle
4 of a cooling off period in a general sense. Its
5 proponents claim that it will protect the consumer
6 against high pressure salesmanship or as one writer
7 put it, "protect the gullible from the unscrupulous".
8 In our view it would do nothing to eradicate the
9 fly-by-night operators or outright frauds who are
10 an anathema to the ethical business men. The latter,
11 through voluntary association for self-government and
12 conducted education programmes is acting in the manner
13 most likely to succeed ultimately in providing the
14 greatest degree of consumer protection.

15 All forms of marketing are
16 plagued by depredations of people out to prey upon the
17 unwary and unsuspecting. We do not feel that such
18 operators will be materially restricted by a waiting
19 period. There are too many ways for an unscrupulous
20 person to get around it. The files of the Association,
21 like those of the Better Business Bureau and Chambers
22 of Commerce, reveal many stories of these vicious
23 people and the harm they do to their victims. However,
24 such crime exists in all the areas of marketing and is
25 not confined to any one.

26 Economically, waiting periods
27 could have a depressing effect on business, on selling,
28 and on salesmanship. The cost of selling any article
29 would certainly increase if every sale were subjected
30 to a cooling off period, for a salesman's time is valuable.



1 If a salesman convinces a
2 customer of the value of purchasing, then the subsequent
3 agreement ought to be binding. If, on the other hand,
4 the customer contracts to buy, receives the product,
5 is permitted to unpackage and use it and four or seven
6 days later returns it and is refunded his own downpayment,
7 he has returned a used, depreciated product which can
8 no longer be sold as a new product. In the case of
9 custom made products the result will be much more
10 extensive, the product must be scrapped.

11 Waiting periods would permit
12 casual buyers to waste one salesman's time in demon-
13 stration and service and then permit a competing agent
14 to step in and sign the order. Since the second
15 agency has not borne the cost of research and preparation,
16 it might well close a contract for no other reason
17 than that it is able to sell at a reduced price.
18 Nothing would, in our opinion, be more injurious to
19 salesmanship or business enterprise where quality and
20 design as well as price are factors of equal importance.

21 Direct selling, as we have said,
22 is a long established method of marketing. It is a
23 significant and important factor in the business economy.
24 The Association's members alone all have manufacturing
25 plants in Canada and employ more than 60,000 Canadians
26 in the production and sales. Industry sales volume is
27 close to \$90 million. These companies are in business
28 to stay. For proof one need only look to their record.
29 Ninety-seven years in Canada for Watkins, 75 years for
30 W. C. Rawleigh Company, 78 years for Avon, 60 years for



Electrolux, over 50 years for the Fuller Brush Company
and so on down the list.

While we oppose a waiting period in principle, because we consider it will not solve the dilemma for which it was promoted, we oppose its application specifically to door-to-door selling because it is discrimination of the highest order. Ethical business firms such as our members deal equitably with customers on a general basis of satisfaction or your money back. No member, indeed no ethical business firm, is going to allow a customer an overextension of credit or hold any customer to a contract where it will create any real hardship for the customer, financially or otherwise. It is simply not good business.

In some cases doubtless, misunderstandings do occur and our members feel that good business ethics demand that the seller withdraw from the contract in the best interest of the consumer. Forced payments are frequently more costly to the seller in terms of prestige, image and good-will than to the customer regardless of the outcome.

A cooling off time, as it is proposed, would, it is true, apply to only a very few sales of the products marketed by the Association's members. However, its application to any time payment contract is regarded as a most serious restriction on the custom and practice of selling and one which could conceivably lead to further regulations to the detriment of the Canadian business economy as a whole.



1 Therefore, the Association's
2 members are unanimously opposed to waiting period as
3 a matter of general principle. We respectfully submit
4 that no waiting period should be introduced in any
5 area of legislation for the reasons outlined.

6 Furthermore, we are firmly of
7 the opinion that the discrimination implied of applying
8 a waiting period solely to door-to-door selling has
9 no part in contemporary legislation, for it is an
10 inequitable idea borne of prejudice. It is inconsistent
11 with a free enterprise economy, particularly one in
12 which many consumer product markets were established
13 by the door-to-door salesman and will continue to
14 be established in the future.

15 Again we reiterate our view
16 that the most effective method of stamping out the
17 unscrupulous merchandisers is through consumer education
18 which is presently being conducted by the Better
19 Business Bureau and Chambers of Commerce, and which this
20 Association heartily endorses.

21 The Association has appointed
22 a delegation from amongst its members to speak to this
23 Select Committee on Consumer Credit and to answer such
24 questions as the Committee may wish to direct. All of
25 which is respectfully submitted.

26 THE CHAIRMAN: Thank you, Mr. Hawkrigg.
27 Mr. Sedgwick, do you have any questions?

28 MR. SEDGWICK: Mr. Hawkrigg, I thought
29 it might help the Committee if you can turn to Exhibit A
30 and tell the Committee just what products your members



1 sell. By the way, do we understand that the list
2 on Exhibit A is a list of all your members?

3 MR. HAWKRIGG: This is a list of all
4 our members, Mr. Sedgwick.

5 MR. SEDGWICK: Some of them are self-
6 explanatory, but the first one isn't, to me at least.

7 MR. HAWKRIGG: Amway of Canada is in
8 household cleaning and detergents, floor waxes, floor
9 cleaners, furniture polishes, etc.

10 MR. SEDGWICK: Avon Products.

11 MR. HAWKRIGG: Avon, of course, is
12 cosmetics.

13 MR. SEDGWICK: Yes, cosmetics. And
14 I assume Beauty Counselor is also?

15 MR. HAWKRIGG: Beauty Counselor is
16 cosmetics. Electrolux are primarily vacuum cleaners.

17 MR. SEDGWICK: Do they sell some
18 other products?

19 MR. HAWKRIGG: I couldn't answer that.
20 We have a member from Electrolux here if you would
21 like that in complete detail.

22 MR. SEDGWICK: No. Familex -- what
23 do they sell.

24 MR. HAWKRIGG: Familex -- they sell
25 household cleaning products as well -- waxes, furniture
26 polishes, cleaners.

27 MR. SEDGWICK: And Filter Queen?

28 MR. HAWKRIGG: Are primarily the
29 polishers as well, floor polishers and vacuum cleaners.
30 Vacuum cleaners is their main device.



1 MR. SEDGWICK: Fuller Brush, of course,
2 I know -- brushes and related products. And the W. C.
3 Rawleigh Company?

4 MR. HAWKRIGG: Are basically the same
5 household cleaning products, generally the same areas
6 Familex -- household cleaning products.

7 MR. SEDGWICK: Regal Stationery?

8 MR. HAWKRIGG: That's self-explanatory.
9 Personal stationery, envelopes, etc.

10 MR. SEDGWICK: Spencer Products?

11 MR. HAWKRIGG: Spencer Products --
12 supports. Now if you happen to have a bad back these
13 are the people you want to see.

14 MR. SEDGWICK: They are such things
15 as --

16 MR. HAWKRIGG: Well, corsets, trusses,
17 yes.

18 MR. SEDGWICK: Stanley Home Products?

19 MR. HAWKRIGG: Stanley Home Products
20 are -- well, again household cleaning products, the
21 same as Fuller Brush, basically.

22 MR. SEDGWICK: Tupperware Home Products
23 Limited?

24 MR. HAWKRIGG: Well, these are plastic
25 cookwares.

26 MR. SEDGWICK: Plastic cookware?

27 MR. HAWKRIGG: That's right, actually
28 it's tableware.

29 MR. SEDGWICK: Watkins is spices and
30 so on, aren't they?



1 MR. HAWKRIGG: Yes, sir.

2 MR. SEDGWICK: And West Bend of Canada?

3 MR. HAWKRIGG: This is aluminum ware,
4 pots and pans basically.

5 MR. SEDGWICK: You do not, then, have
6 any members who sell aluminum siding?

7 MR. HAWKRIGG: No, sir.

8 MR. SEDGWICK: Do you have any members
9 who sell periodicals or books or anything of that kind?

10 MR. HAWKRIGG: No, sir.

11 MR. SEDGWICK: All household products
12 generally, is that correct?

13 MR. HAWKRIGG: That's right. These
14 are all Canadian manufactured products. This is one
15 of the stipulations for membership, of course, with
16 this Association, that they be completely Canadian
17 manufactured.

18 MR. SEDGWICK: I see. And then on page
19 3 of your brief in paragraph 7 you speak of examples
20 such as life insurance underwriting -- you are not
21 concerned at all with life insurance?

22 MR. HAWKRIGG: No, sir, this was just
23 an example. We were just trying to bring in some other
24 areas.

25 MR. SEDGWICK: Then you say -- on the
26 sales of custom made merchandise -- and they may have
27 something to say to the cooling off period -- do your
28 members sell any custom made merchandise?

29 MR. HAWKRIGG: Custom made would basical-
30 ly apply to Spencer supports.



1 MR. SEDGWICK: I see, not to the
2 others at all?

3 MR. HAWKRIGG: I would think not to
4 any degree, no, sir.

5 MR. SEDGWICK: Mr. Oliver suggests
6 cosmetics. Obviously I am not an authority on
7 cosmetics, are they custom made?

8 MR. HAWKRIGG: I would doubt -- by
9 custom made I assume you mean a particular product
10 for a particular customer? Well, the cosmetics
11 are, of course, a general line.

12 MR. SEDGWICK: Yes. For a particular
13 person or for a particular use. One could describe
14 aluminum doors as custom made in the sense that they
15 are made to fit that particular stop. Your members
16 don't generally do that?

17 MR. HAWKRIGG: No.

18 MR. MACDONALD: Cosmetics are like
19 gasoline -- blended to meet the customer's needs.

20 MR. SEDGWICK: To suit the complexion.
21 Then on page 4 at paragraph 9 you say with respect to
22 proposals that total charges for money borrowing be
23 revealed, you are in full agreement. I do not know
24 much about door-to-door selling. Approximately what
25 percentage of your selling would be for other than
26 cash or cash on delivery?

27 MR. HAWKRIGG: I couldn't give you a
28 percentage. It wouldn't be too large. This is just
29 off the top of my hat.

30 MR. SEDGWICK: For instance, Fuller



1 Brush -- do you extend credit?

2 MR. HAWKRIGG: We have no credit
3 extension in their organization at the moment.

4 MR. SEDGWICK: That's what I understood.
5 You sell either for cash at the time of the order or
6 for cash on delivery?

7 MR. HAWKRIGG: Normally it's cash
8 with the delivery. We don't ask our people to --

9 MR. SEDGWICK: Then you don't have
10 any financing charges?

11 MR. HAWKRIGG: Not at the moment, no.

12 MR. SEDGWICK: So you really are not
13 in the field of consumer credit.

14 MR. HAWKRIGG: No, but we do have
15 members, of course, who are.

16 MR. SEDGWICK: As to those members
17 who are in the field of consumer credit in that they
18 are paid over a period of time, do they have both
19 a cash price and a credit price?

20 MR. HAWKRIGG: This, I am afraid, I
21 would have to ask a member of the Electrolux Company
22 to answer your question.

23 ELECTROLUX DELEGATE: No, we only have
24 one price cash or credit basically, but of course there
25 is a finance charge added on for handling.

26 MR. SEDGWICK: You have an add-on, is
27 that right? That is, if I am a customer and I am
28 buying, shall we say, an Electrolux machine and the
29 price is \$100.00. If I pay you on delivery that is
30 the end of the transaction and if I say I would like to



1 pay you \$10.00 a month for 10 months, then you have
2 an add-on credit factor?

3 ELECTROLUX DELEGATE: A carrying charge.

4 MR. SEDGWICK: A carrying charge. And
5 you have a regular schedule of carrying charges?

6 ELECTROLUX DELEGATE: Yes.

7 MR. SEDGWICK: Are they estimated in
8 terms of money -- that is, a dollar amount -- or do
9 you disclose a percentage amount?

10 ELECTROLUX DELEGATE: A dollar amount.

11 MR. SEDGWICK: A dollar amount. Can
12 you tell me what it is, how it's stated?

13 ELECTROLUX DELEGATE: (First part
14 inaudible) -- three-quarters of 1% a month.

15 MR. SEDGWICK: On the unpaid balance?

16 ELECTROLUX DELEGATE: Yes.

17 MR. SEDGWICK: Three-quarters of 1%
18 a month on the unpaid balance. Then approximately --
19 because I know you can only approximate -- would those
20 sales form a large or a significant part of your sales?

21 ELECTROLUX DELEGATE: I would say
22 the larger portion, 55%, of our sales are consumer
23 credit sales.

24 MR. SEDGWICK: I see. And as to
25 amount -- up to what maximum amount is the value of
26 the goods that you sell -- is it \$500, \$600?

27 ELECTROLUX DELEGATE: No, I would say
28 closer to three or four hundred dollars.

29 MR. SEDGWICK: Three or four hundred
30 dollars. And you extend credit even on the smaller



1 purchases of twenty or thirty dollars? Or do you
2 have any?

3 ELECTROLUX DELEGATE: No, we don't.
4 Usually the floor wax forms part of the sale.

5 MR. SEDGWICK: I see. It is sold as
6 being necessary with the instrument sold, is that
7 right?

8 ELECTROLUX DELEGATE: That's right.

9 MR. SEDGWICK: Thank you very much.

10 THE CHAIRMAN: Mr. Irwin?

11 MR. SEDGWICK: I have a couple more.
12 I already asked you, Mr. Hawkrigg, about your practice
13 and you said the practice of your firm is it is
14 generally C.O.D. and there is no credit involved. So
15 if a cooling off period was suggested and if that
16 cooling off period applied only to credit sales, you
17 wouldn't be concerned?

18 MR. HAWKRIGG: No, under our present
19 marketing, no. But the thing I would like to point out
20 to the Committee here. We don't particularly feel we
21 would like to be restricted in any way. The type of
22 product lines that we could get involved in, as far
23 as any future planning is concerned.

24 MR. SEDGWICK: I understand.

25 MR. HAWKRIGG: If we found that there
26 was a product that we thought we could successfully
27 market door-to-door and happened to get into a consumer
28 credit area, I would like to feel that we were free to
29 market it on the same basis as our cash sales.

30 MR. SEDGWICK: I suppose you will not



1 be able to answer this question, but some of your
2 colleagues may. Where a sale is made on credit, what
3 security do you take? Do you take a note, a lien note?
4 Is that usual?

5 ELECTROLUX DELEGATE: Yes, a lien
6 contract.

7 MR. SEDGWICK: Yes. And do you hold
8 the note yourselves or do you negotiate it?

9 ELECTROLUX DELEGATE: No, we hold it
10 ourselves.

11 MR. SEDGWICK: I see. Do any of your
12 members negotiate with finance companies? I may say
13 to you that one of the problems that has come to
14 the Committee is the fact that there is no connection
15 in many cases between the seller of the article and
16 the finance company that takes the negotiable paper.
17 As a result if the actual seller makes promises which
18 cannot be kept, those promises are not or at least may
19 not be binding on the finance company which takes the
20 negotiable paper. So you can see the problem is that
21 while the purchaser may not get what he thought he was
22 buying, he may not get anything. But he may still be
23 stuck to pay the finance company. But you say you
24 don't negotiate your paper at all?

25 ELECTROLUX DELEGATE: No.

26 MR. SEDGWICK: Do any of the members
27 of your Association negotiate their paper, do you know?

28 DELEGATE MACDONALD: (Inaudible)

29 MR. SEDGWICK: What is your name?

30 DELEGATE MACDONALD: MacDonald, with



1 West Bend of Canada.

2 MR. SEDGWICK: And you are with what
3 company?

4 DELEGATE MACDONALD: West Bend of
5 Canada.

6 MR. SEDGWICK: You sell aluminum
7 products?

8 DELEGATE MACDONALD: Basically cookware,
9 sir. We act in a slightly different role, we act
10 as a manufacturer selling to distributors who, in turn,
11 are responsible for establishing his own financing
12 arrangements.

13 MR. SEDGWICK: So that you yourselves
14 don't have anything to do with the customer at the
15 door?

16 DELEGATE MACDONALD: Not other than
17 the forming of the product and being selective in the
18 matter to make sure that our distributors are doing
19 a creditable job and not misrepresenting our product.

20 MR. SEDGWICK: Well, with that system,
21 Mr. MacDonald, if your distributor sells on credit
22 and takes some negotiable paper for the balance of the
23 debt, is that paper turned over to you?

24 DELEGATE MACDONALD: No, they are not.

25 MR. SEDGWICK: The distributor has
26 to do it himself, does he?

27 DELEGATE MACDONALD: Or the finance
28 company.

29 MR. SEDGWICK: Well, I don't quite
30 understand that. Who makes the arrangements with the



1 finance company involved? Does your company, or does
2 your individual agent?

3 DELEGATE MACDONALD: The independent
4 distributor, sir.

5 MR. SEDGWICK: Makes his own arrangements?

6 DELEGATE MACDONALD: That's right.

7 MR. SEDGWICK: So that you have no
8 control over it at all?

9 DELEGATE MACDONALD: Not to that
10 extent, sir.

11 MR. SEDGWICK: Well, do you to any
12 extent?

13 DELEGATE MACDONALD: Not other than
14 to, as I said, make sure that our product is not
15 misrepresented because inevitably that would come back
16 to the West Bend Company.

17 MR. SEDGWICK: So a purchaser of your
18 product who had some complaint about what was said
19 on the part of your salesman, could go back to you
20 and if you were satisfied that it was a genuine
21 complaint, although you would have no legal liability,
22 as I can see, you would what -- rescind the transaction?

23 DELEGATE MACDONALD: Try to rectify it.

24 MR. SEDGWICK: Try to rectify the
25 complaint. By moral pressure, I suppose, on your
26 distributor, is that right?

27 DELEGATE MACDONALD: (Inaudible)

28 MR. SEDGWICK: I was just wondering
29 how you do it. You sell the goods to the distributor
30 and that distributor sells them to the housewife and he



1 is an independent salesman. Does he set his own price?

2 DELEGATE MACDONALD: Essentially,
3 yes, sir.

4 MR. SEDGWICK: I see. Then if one
5 of your distributors went about the country misrepresent-
6 ing the product, I suppose the only thing you could
7 do is cancel his distributorship, is that right?

8 DELEGATE MACDONALD: That's right.

9 MR. SEDGWICK: It would be a matter
10 of grace, not of right, if you made good the promises
11 the distributor had made to the housewife. You are
12 under no legal obligation to do it?

13 DELEGATE MACDONALD: No.

14 MR. HAWKRIGG: Mr. Chairman, if I
15 could just interject here. I think what I would like
16 to make the Committee members well aware of is the fact
17 that we are not in business to make one sale in a
18 neighbourhood or in a village or a town or a city. We
19 are in business to call back. Consequently it is
20 to our own good, really, if we hear of any abuses by
21 any of our dealers, that they are rectified very quickly
22 as far as the customer is concerned.

23 MR. SEDGWICK: Mr. Hawkrigg, in the
24 case of your own company, Fuller Brush, I take it that
25 the distributors are your salesmen, responsible to you,
26 and they send in to you the money they collect?

27 MR. HAWKRIGG: No. All the sales
28 representatives of the Direct Sellers Association are
29 independent dealers. They are not employees of the
30 companies.



1 MR. LETHERBY: They buy your product.

2 MR. HAWKRIGG: They buy our product
3 at wholesale and then sell to the housewife at
4 retail.

5 MR. SEDGWICK: And in your case you
6 fix the price?

7 MR. HAWKRIGG: Yes. We have retail
8 price lists and any dealer buys it at a discounted
9 price.

10 MR. SEDGWICK: I see. That is, the
11 retailer probably gets 10, 15%, whatever it is?

12 MR. HAWKRIGG: That's right, the normal
13 percentage. And as far interviewing for dealers, we
14 certainly try to screen these people. After all, they
15 are representing our company. We get our share of
16 bad ones, but we also try to weed them out.

17 THE CHAIRMAN: You also have a
18 training programme, don't you?

19 MR. HAWKRIGG: Oh, yes, as far as
20 product familiarity is concerned.

21 MR. SEDGWICK: As to the cooling off
22 period, as you of course understand, it would only
23 apply to time sales. It has never been suggested that
24 it apply to cash or C.O.D. sales, and you are probably
25 aware that the English Act does fix a cooling off
26 period which, as of January 1st, 1965, will be four
27 days. Have you ever inquired as to how your other
28 numbers in England have found that to work?

29 MR. HAWKRIGG: No, I haven't personally.
30 Of course all we can do is have a little conjecture here



1 as to what will happen. Really our main objection,
2 quite frankly, Mr. Chairman, is the fact that we seem
3 to be segregated out of all the business community
4 with this particular type of legislation. This
5 is what we find hard to reconcile, why pick on door-to-
6 door sellers for this particular type legislation. Why
7 not make it all conditional sales contracts?

8 MR. SEDGWICK: Well you know that isn't
9 unique, Mr. Hawkrigg.

10 MR. HAWKRIGG: I know it's not unique,
11 but --

12 MR. SEDGWICK: No, and it's not unique
13 in this Province. For instance, if one has a brokerage
14 office you conduct your business in the office but
15 you are not permitted to go door-to-door selling
16 securities. There is a difference between those who
17 sell at an established place of business and the people
18 who do door-to-door selling because it does make an
19 opening for the vicious and the disreputable. I
20 wouldn't want you to think that if door-to-door
21 sellers were subjected to some special rule that would
22 be unique, even in this Province.

23 MR. HAWKRIGG: This could possibly
24 be true, but one point I would like to bring out. This
25 would definitely put door-to-door selling to a
26 disadvantage in comparison with other types of
27 merchandising.

28 MR. SEDGWICK: Would you have the same
29 objection if the cooling off period should be fixed as
30 the period between the contract and delivery? I am



1 thinking of the point that you made on page 6 of your
2 brief where you say: "On the other hand, the customer
3 contracts to buy, receives the product, is permitted
4 to unpackage and use it, and four or seven days later
5 returns it and is refunded his downpayment". If the
6 cooling off period were fixed as the period between
7 the making of the contract and the delivery of the
8 product would you have the same objection?

9 MR. HAWKRIGG: This would mean then
10 that if the person demonstrating has the merchandise
11 with him --

12 MR. SEDGWICK: On that sale there would
13 be no question.

14 MR. HAWKRIGG: Oh no, it doesn't have
15 to be a cash sale. He can deliver the merchandise and
16 still take back a conditional sale. Would this get
17 them out of this area?

18 MR. SEDGWICK: No, then if there was
19 a cooling off period, if the English Act were applied,
20 the four days would apply even though the article
21 had been delivered. But if your salesman took the order
22 and did not deliver until the cooling off period had
23 expired, do you see any objection to that? Then the
24 housewife would have a chance to talk to her husband
25 when he came home and see whether it was within their
26 budget to commit themselves for \$200.00 for a new set
27 of cooking utensils.

28 MR. HAWKRIGG: Yes, I would object, sir.
29 I don't know how familiar you are with door-to-door.
30 Obviously you are not very familiar. That's why I am



1 sitting here. What I am trying to do is suggest that
2 -- say you were the salesman and you sold Mrs. Smith,
3 let's say it's a vacuum cleaner for two hundred-odd
4 dollars. You in turn then -- and you don't happen to
5 have the vacuum cleaner with you -- you would then,
6 in turn, submit your order to the company. The company
7 will ship you that vacuum cleaner and bill you for it
8 and then when you come to deliver it to Mrs. Smith, Mrs.
9 Smith says: "No, I don't want that vacuum cleaner.
10 I was downtown yesterday and I bought one at a certain
11 store". Or, "I don't want it" -- period. Now you
12 are an independent dealer and here you are -- you're
13 sitting with a --

14 MR. SEDGWICK: I see your point. You
15 mean it would lose some sales and in other cases you
16 would have to make the sale twice?

17 MR. HAWKRIGG: That's right. The
18 point we also tried to make in this brief. I wish
19 I had the figures. I'm sure no one does. Exactly how
20 many, or what percentage, of sales that are made on
21 a conditional sale or time basis, have proved to be
22 unsatisfactory because of an overselling at the initial
23 stage. I would venture to say it's very, very small.

24 MR. SEDGWICK: I don't know percentage-
25 wise, but it has been said that there have been certain
26 door-to-door salesmen -- I don't think any of them
27 are members of your Association -- who have sold and
28 got negotiable paper and not delivered, or have delivered
29 a product that was not up to the specifications and there
30 have been a number of complaints.



1 MR. HAWKRIGG: I'm sure there have
2 been. We certainly don't deny that it exists. We would
3 question whether possibly it is a large percentage. I
4 think, unfortunately, some of these things, if they
5 get into the newspapers they tend to give the impression
6 that just about all door-to-door selling is viewed under
7 the same light.

8 MR. SEDGWICK: That's true, the one
9 rotten apple.

10 MR. HAWKRIGG: That's right.

11 MR. SEDGWICK: This is another question
12 that you could answer. May we assume that where your
13 members do sell on time they take the ordinary kind of
14 a lien, that is they can repossess and sue for any
15 deficiency or they can leave the article where it is
16 and sue for the balance owing. Would that be so?

17 DELEGATE MACDONALD: That would be so.

18 MR. SEDGWICK: Yes. That would be so.
19 I think that's all. Thanks.

20 MR. HAWKRIGG: If I could just make
21 one more point here, Mr. Chairman. With direct selling
22 -- I don't know why it is but it always seems to be --
23 whenever I go out socially or otherwise, if anybody
24 hears I'm from the Fuller Brush Company there is never
25 a lack of conversation and there are always -- everyone
26 has an idea of how we can improve our business. And
27 this is good, because, let's face it, we are in business
28 to improve. But the point I would like to make here is,
29 normally at the coffee clubs that the ladies have each
30 morning and afternoon, if you have got one girl on the



1 street who is dissatisfied with a purchase she has
2 made from door-to-door, you have lost the whole street.
3 We have come to recognize this for years. Consequently
4 our organization, I would say all of the members of
5 this Association, bend over backwards to make sure that
6 if there is a complaint it is followed up to the complete
7 satisfaction of the customer. Because, as I say, all
8 you need is one girl at the coffee party voicing an
9 opinion that she wasn't happy and the next time that
10 dealer comes down that street he won't even get in
11 the door.

12 MR. SEDGWICK: Of course, really the
13 Committee isn't concerned with you particularly because
14 you sell for cash.

15 MR. HAWKRIGG: Well, the reason we
16 are concerned, of course, once again, is that it is
17 getting into our area of merchandising. We feel that
18 if the legislation does go through there are going to
19 be numerous problems. We seriously doubt whether it
20 is going to correct the evil that you are hoping to
21 correct. We also would like you to recognize that we
22 feel it is going to put us at a disadvantage as far as
23 competitors are concerned, in our like products.

24 MR. SEDGWICK: Thank you. That's all.

25 THE CHAIRMAN: Mr. Whicher?

26 MR. WHICHER: I notice in your list
27 of Association members here, fourteen. There must be
28 many, many other door-to-door companies across
29 Ontario. Why do you not have more members?

30 MR. HAWKRIGG: Well, we try to get



1 members. We are the same as any other organization.
2 We are looking for members all the time. There are
3 a number of restrictions in order to become a member
4 of this Association. The number one requirement, of
5 course, is that it has to be a Canadian manufacturer.
6 This is the most important. You then have to send a
7 membership application to a membership committee that
8 is made up from this Association and this membership
9 committee then assesses whether you would be a desirable
10 member of our Association due to your business methods
11 and you past performance.

12 MR. WHICHER: Well, take a firm like
13 Encyclopedia Britannica. If they wished to could they
14 join your organization?

15 MR. HAWKRIGG: Well, they would have
16 to submit an application. I don't know too much about
17 Encyclopedia Britannica, whether they manufacture in
18 Canada or --

19 MR. SEDGWICK: No, they do not.

20 MR. HAWKRIGG: This would disqualify
21 them immediately, I would think, if they bring them
22 in from the States.

23 MR. WHICHER: Looking over the list
24 of your members, I have the feeling that these are a
25 rather reliable group, quite frankly. We have quite
26 a number of these people who are listed here as members
27 in Appendix A call on small towns in the area that I
28 come from. Quite frankly there are very few complaints.
29 But there are many complaints about many people who
30 call. Of course you realize that we have to look into the



1 whole crowd. I want to ask about this cooling off
2 period again. Perhaps this isn't fair, because they
3 are such large companies, but I must mention that
4 Eaton's and Simpson's have a cooling off period. Either
5 for cash or for credit.

6 MR. HAWKRIGG: I don't know. What is
7 their cooling off period?

8 MR. WHICHER: Isn't that right, Mr.
9 Chairman? Don't they have a cooling off period?

10 THE CHAIRMAN: Not that I am aware
11 of.

12 MR. WHICHER: Well, you can send any-
13 thing back that you want to.

14 MR. REILLY: They don't call it a
15 cooling off period.

16 MR. HAWKRIGG: If you are not happy
17 with the merchandise you buy from these companies you
18 can send it back. They will replace it.

19 MR. WHICHER: They will take it back?

20 MR. HAWKRIGG: And replace it. If it
21 got to that point, yes, let's face it. We will try
22 and replace it if it happens to be a mechanical defect,
23 we will replace it with one that will work.

24 THE CHAIRMAN: I think that's what
25 Mr. Whicher is driving at.

26 MR. HAWKRIGG: So I would say, in
27 effect, if you want to call it a cooling off period --

28 MR. WHICHER: If the customer is not
29 satisfied with the merchandise you will take it back?

30 MR. HAWKRIGG: Yes, I would be unquali-



1 fied on that, I'm sure. If it was to the point where
2 it was going to be, as far as the member company is
3 concerned, a nasty situation both as far as advertising
4 and company image is concerned, yes.

5 MR. WHICHER: What percentage of
6 companies selling door-to-door in Ontario would you say
7 belong to your Association?

8 MR. HAWKRIGG: I couldn't answer that.
9 Possibly the secretary --

10 MR. WHICHER: Ten percent, or fifty
11 percent?

12 A DELEGATE: That is almost impossible
13 to answer, Mr. Chairman and Mr. Whicher. First of all
14 you have to define how extensive is door-to-door selling.
15 Do you include the bread man and the milkman and the
16 insurance underwriter and so on? (Laughter)

17 MR. HAWKRIGG: I hope he didn't hit
18 below the belt there, but I think his point is what
19 do you define, first of all, door-to-door?

20 MR. WHICHER: Agreed. That's all.

21 THE CHAIRMAN: Mr. Bukator, do you
22 have some questions?

23 MR. BUKATOR: The gentleman from the
24 Electrolux states that they add on $3/4$ of 1% on a
25 contract, that is an add-on to the cost of your \$100.00
26 machine. Would there be any objection to your company
27 if you had that inserted in your bill stating that you
28 add-on $3/4$ of 1%?

29 A DELEGATE: Not at all. It is always
30 quoted as a dollar figure and it is not included in the



1 price and it is always charged on the unpaid balance.

2 May I add a little bit, sir? Our
3 customers in some respects have up to 30 days before
4 their first payment comes due. A contract is sent
5 in and they don't have to pay until such time as they
6 receive a coupon, sometime about two or three weeks
7 after the contract reaches our office in Montreal.
8 And generally if there is any change of mind, we usually
9 know in that 30 day period. Another thing I would like
10 to add is that we believe in delivering the merchandise
11 at the same time as the contract, regardless of the
12 amount of downpayment. This way the customer has
13 something for her money. Maybe she has only paid \$15.00
14 but she has something for her money. That is one reason
15 why we do not feel that a four day waiting period will
16 add any protection to the customer.

17 MR. BUKATOR: I might say that is the
18 same method used by other companies that have appeared
19 before us. They put on 1/2 or 1/4 of 1% on the unpaid
20 balance at the end of the month. You wouldn't object
21 to this if legislation were to come into effect stating
22 that you must put the percentage rate on your contract?

23 A DELEGATE: Not at all, no.

24 MR. BUKATOR: I feel, as Mr. Whicher
25 does, that the groups that are here before us this
26 afternoon are not the people we are really looking for.
27 There are people who charge exorbitant amounts of money
28 in their contract and not representing what the customer
29 is getting. These are the people we are after. I can't
30 quite conceive why these people can't understand why these



1 people object to the cooling off period because there
2 are only three of your group, I guess, that have a
3 payment plan or contract plan. You deliver the brush
4 after an order, whenever the customer wants it. What
5 would be wrong, in your opinion, since you have
6 discussed it among your people, that you wouldn't want
7 a cooling off period. You have mentioned it before
8 but I'd like you to elaborate on it.

9 MR. HAWKRIGG: Well, I think initially,
10 particularly as far as the people who make the sale and
11 the delivery at the same time, and there is a cooling
12 off period, obviously they are going to have to change
13 their method of doing business. I'm sure that you can
14 all appreciate that changing your method of doing
15 business is quite an expensive proposition, particularly
16 when you get involved in door-to-door. People have
17 designated areas for their dealerships. I don't know
18 this much about Electrolux, but let us assume that it
19 is a 40 mile territory. So if you have to sell Mrs.
20 Smith one day and then go back four days later with
21 the delivery, not knowing whether she is going to take
22 it or not. This is one large problem, I think,
23 particularly when these dealers have to virtually
24 finance their own inventory, which is what we, as the
25 company, as them to do. You get two trips in there
26 where previously we had one. You lose his time twice
27 where previously it was only the one contact. I think
28 this is one of the larger problems -- and I think, as
29 you gentlemen will appreciate -- the salesman's time
30 right now, this is the most important service and



1 commodity we have as a company in this association.
2 We want to save his time for selling, not delivering
3 or driving in a car from Mrs. Smith's place on Thursday
4 and going back on Saturday. This is our basic objection
5 to it, along with, once again, although Mr. Sedgwick
6 corrected me, that maybe we are feeling that we are
7 being turned on because this is directed at door-to-door.
8 But this is a big factor as well. I can just imagine
9 now it will come out in the papers that a four day
10 waiting period on door-to-door sales, selling to the
11 public. Knowing the public, I would think this should
12 apply to everyone. Once again, it would more or less
13 indicate that the government is against door-to-door
14 selling, which I think is a very important factor, as
15 you can appreciate. Being a sales organization, morale
16 is an awfully big thing in our business. I would doubt
17 seriously, if I was a dealer, and saw legislation in
18 the paper geared directly to my method of doing business
19 -- I'd have one or two thoughts as to whether I was in
20 the right business or not.

21 THE CHAIRMAN: Don't you think your
22 companies would adjust to that legislation?

23 MR. HAWKRIGG: Oh, I think you can
24 adjust to anything if you have to, Mr. Chairman.

25 THE CHAIRMAN: Mr. Lawrence?

26 MR. LAWRENCE: I take it from your
27 last remarks that if this type of legislation was
28 introduced -- if it was introduced right across the
29 board to all conditional sales contracts, that your
30 Association then would have no objection to it?



1 MR. HAWKRIGG: This would be the
2 lesser of the two evils, yes.

3 I would like to get back once
4 again to this brief here where I mentioned consumer
5 education, because this is our business. We are much
6 more aware of it, possibly, than you members are, but
7 the Better Business Bureau and the Chamber of Commerce --
8 I think it is once or twice every day you hear over
9 the radio "Beware". I think they are trying to make
10 the consumer conscious of the fact that there are these
11 fly-by-night type operations going around and certainly
12 you can read about it in the paper. I just wonder if
13 we could possibly defer the suggestion of any type
14 of legislation and just see if this type of education
15 programme is going to do any good, as far as you
16 people are concerned.

17 MR. LAWRENCE: So it may be skeptical
18 that that is the only answer -- that's the problem. You
19 admit there is a problem, especially in the door-to-door
20 selling field and I assume that you recognize that
21 legislation usually is drawn to enforce penalties
22 against a minority no matter what kind -- murderers or
23 door-to-door sellers. The problem is there. We are
24 searching for an answer. Just plain education of the
25 public isn't enough, as perhaps some of your own
26 members appreciate and recognize. This is what we are
27 faced with as legislators. Here is a problem -- and if
28 one solution isn't the whole solution, where else do
29 you go, what do you do?

30 MR. HAWKRIGG: You say there is a



1 problem -- I don't want to get into the point of the
2 examiner here myself -- but do we know how large the
3 problem is?

4 MR. LAWRENCE: It doesn't matter
5 whether it's one-tenth or one-one hundredth or one-
6 eighth of one percent. If the problem is there and
7 enough people, even if it's a small percentage, are
8 being rooked, then they come to the government, you
9 see, for rectification of their problem. It doesn't
10 matter what percentage of murderers there are in
11 Canada today, it's obviously a minority of the
12 population, but we have to have laws to prevent it.
13 And this is our problem. There is a lot of monkey-
14 business going on in the credit field and as your
15 members well know there is a lot of monkey-business
16 going on in door-to-door selling. Now it's to your
17 advantage especially to get the situation cleaned up.
18 You represent the more valuable and worthwhile people
19 in the field. I'm rather disappointed -- not that you
20 take this stand on a waiting period, because personally
21 I'm not sold on this waiting period either. But the
22 problem is there and we have got to find a solution.
23 You are decrying a solution that has been presented to
24 us, but you are not offering another alternative to us.

25 MR. HAWKRIGG: Well, of course, the
26 alternative we were trying to suggest, and the only
27 one, unfortunately, that we can suggest at the moment
28 short of legislation going into effect that the four
29 day waiting period applies to door-to-door except
30 members of the Direct Sellers Association, which is a



1 thought. (Laughter)

2 MR. LAWRENCE: It would increase your
3 membership.

4 MR. HAWKRIGG: I'm sure it would, it
5 would enhance our standing, I'm sure.

6 MR. LAWRENCE: I'm curious. In your
7 code of ethics you talk about sales methods, represent-
8 ations, etc., and yet there is nothing in there
9 regarding actual credit, consumer credit, or sales
10 methods. You are a big organization, you come along
11 to us with suggestions regarding the consumer credit
12 field, it obviously concerns you and yet you don't
13 have anything in your ethics about it.

14 MR. HAWKRIGG: Consumer credit?

15 MR. LAWRENCE: Yes. Would one of
16 your organizations, or one of the companies in your
17 organization, for instance, be disciplined if it
18 encouraged its salesmen or independent dealers, or
19 whatever it is you call them, to sign chattel mortgages
20 and conditional sales agreements in blank, for instance?
21 Is this encouraged by your Association? Or is this
22 something you would discipline a member for?

23 MR. HAWKRIGG: Well, if this became
24 prevalent there would definitely be discipline involved.
25 I would suggest that the reason that we don't even
26 mention credit in the code of ethics is that basically
27 we are in business to sell the product that we manu-
28 facture. And if by extending credit it is going to
29 help to sell the manufacturer's products, fine. But
30 basically our business is to sell the manufacturer's



1 products.

2 MR. LAWRENCE: Yes, but part of this
3 business of selling their goods also is consumer credit.
4 I was just wondering if this was an intentional
5 omission or not, in your ethics, because there seems
6 to be nothing in there about it.

7 MR. HAWKRIGG: Well, I'm suggesting
8 it was quite unintentional.

9 MR. LAWRENCE: This business of the
10 independent dealer gets me too, especially when you
11 talk about being able to return goods within 30 days.
12 Therefore, in effect, you have a waiting period at
13 the moment. This is the implication you leave with us,
14 at any rate. How does this square with the story of
15 the independent dealer who orders the vacuum cleaner
16 from the parent company and then goes to leave it
17 with the customer only to find the customer has changed
18 his or her mind. Are you telling us that that dealer
19 cannot then return the goods to the company? Are they
20 that unscrupulous with their dealers?

21 MR. HAWKRIGG: I will ask Mr. Electrolux
22 if he will answer that one for you. What is the
23 Electrolux Company policy?

24 ELECTROLUX DELEGATE: The dealer is
25 independent in that he is not an employee of the
26 Company, he is a commissioned salesman. (Next few
27 sentence inaudible). He is responsible for returning
28 the merchandise or returning a signed contract and
29 the amount of money he collected in cash or the
30 downpayment. If he has to repossess at some later date,



1 he returns the merchandise to us and we buy the
2 contract from him and the merchandise is ours. He
3 is never stuck with the merchandise. It always comes
4 back to us. It is our contract in which the customer
5 has all the assurances of the guarantee and the
6 service and all the benefits of our organization
7 right across Canada.

8 MR. LAWRENCE: So the story about
9 the dealer who arrives at the doorstep with the vacuum
10 cleaner only to find the woman has changed her mind
11 and therefore he is stuck with the vacuum cleaner, is
12 a non-existent story?

13 ELECTROLUX DELEGATE: Well, we have
14 financed him and he has to pay the thing. Just as
15 any finance company, in a sense, we will take back
16 the merchandise that we finance ourselves. But I
17 should say that any machine that is delivered even for
18 only one day in a customer's home, automatically
19 becomes used merchandise and is sold as such. Our
20 products are not resold as new merchandise or
21 reconditioned merchandise. They are reconditioned, yes,
22 but they are sold and the customer receives a letter
23 telling her it is repossessed merchandise and it is
24 sold at a reduced price. That's another problem with
25 a four day waiting period, that we are faced with,
26 (next words inaudible) --

27 MR. LAWRENCE: I can see some of your
28 problems, sir, but in regard to the Electrolux Company --
29 exactly Electrolux (Canada) Ltd. -- do you not have a
30 subsidiary company in Montreal?



1 ELECTROLUX DELEGATE: Yes, we do. Our
2 factory and home office is in Montreal.

3 MR. LAWRENCE: Is it not a subsidiary
4 company, though? -- that does the financing?

5 ELECTROLUX DELEGATE: No.

6 MR. LAWRENCE: It is Electrolux (Canada)
7 Ltd., is it?

8 ELECTROLUX DELEGATE: Yes.

9 MR. LAWRENCE: And is it just because
10 it is a Montreal-based company it has no relation
11 to the laws regarding conditional sales in Quebec
12 as it is in a Montreal-based company -- that you know
13 of? I mean if you sell something here and you take
14 back a conditional sales agreement here in Ottawa --
15 in effect the customer is entering into this agreement
16 with a Montreal-based company, isn't that true?

17 ELECTROLUX DELEGATE: Well, in effect
18 they take it with the dealer who then signs the
19 contract and transfers it to us to finance.

20 MR. LAWRENCE: Yes, but that company
21 is a Montreal company, a Quebec company. Is this
22 solely and simply because your head office is in
23 Montreal? Or does it have any relation to the
24 conditional sales laws in that Province?

25 ELECTROLUX DELEGATE: No, not at all.
26 Actually the first Electrolux office was opened in
27 Toronto, to give you a little background, and moved
28 to Montreal because it was felt that being close to
29 the factory in Montreal --(rest inaudible)

30 MR. LAWRENCE: Right. Now as I under-



1 stand the Electrolux Company policy at the moment, the
2 dealer takes out the machine to a prospective
3 customer and he is not allowed to leave that machine
4 with the customer unless he has a signed contract; is
5 that correct?

6 ELECTROLUX DELEGATE: That is quite
7 true. (Rest inaudible) The contract is signed as a
8 receipt for the delivery of the machine in which is
9 specified the amount of downpayment he will ultimately
10 get one week from today or tomorrow, but he holds
11 that contract in his pocket during which time, of course,
12 he remains responsible for that machine.

13 MR. LAWRENCE: The machine though --
14 you will not leave a machine with a housewife, not
15 even to allow the husband to see it in the evening,
16 unless a contract has been signed; is that not right?

17 ELECTROLUX DELEGATE: Oh, yes, he
18 would leave it overnight.

19 MR. LAWRENCE: He would?

20 ELECTROLUX DELEGATE: Oh, yes.

21 MR. LAWRENCE: It is not the policy
22 to your salesmen, or to your dealers, excuse me, to
23 indicate to them not to leave this unless --

24 ELECTROLUX DELEGATE: No, it's no hard
25 and fast rule. Many times they will leave a machine
26 there because it's a good reason for them to go back
27 and meet the husband in the evening. (Rest inaudible)
28 We advocate that as many as possible of the contracts
29 be signed by the man of the house. I would say a very
30 large percentage of our contracts are signed by the



1 man. A man may canvas in the morning but he makes the
2 sale generally in the evening when he goes back and
3 both the wife and the husband are there.

4 MR. LAWRENCE: How about contracts
5 signed in blank? Would your company take a hard view
6 of this?

7 ELECTROLUX DELEGATE: Well, they
8 wouldn't come to us that way. We would take a hard
9 view of it for sure.

10 MR. LAWRENCE: But you are not
11 responsible to them if they do? They are independent
12 dealers.

13 ELECTROLUX DELEGATE: You mustn't
14 forget, the contract that comes into us is processed
15 and then the customer receives an invoice and
16 immediately if there is any difference between her
17 copy and our copy -- and we tell her to notify us
18 if there is any difference -- and we rectify any
19 difference.

20 MR. LAWRENCE: But doesn't the contract
21 come from Montreal though?

22 ELECTROLUX DELEGATE: (Inaudible)

23 MR. LAWRENCE: Therefore it is your
24 company's policy to give a copy of the signed and filled
25 in agreement to the customer at the time he is in the
26 house?

27 ELECTROLUX DELEGATE: Yes, immediately.

28 MR. LAWRENCE: Thank you.

29 THE CHAIRMAN: Mr. MacDonald?

30 MR. MACDONALD: Mr. Chairman, there are



1 two or three questions I would like to ask by way
2 of clarifying the present procedures of this group
3 and then get down to the nub of the thing as I see it.
4 One is, maybe not too important but I was a bit
5 curious, how many of your organizations do not have
6 what might be called fixed retail sale prices? I
7 think the gentleman from Electrolux said that in that
8 company and some other companies that they can fix
9 their own retail price.

10 MR. HAWKRIGG: I couldn't answer that,
11 Mr. Chairman.

12 ELECTROLUX DELEGATE: Speaking for
13 ourselves, there are suggested retail prices. I don't
14 mean that we fix the price, but we have a suggested
15 retail price.

16 MR. MACDONALD: If I may put this to
17 the Secretary -- is he in a position to indicate how
18 many of the companies, in effect, leave complete
19 flexibility as to the retail price?

20 A DELEGATE: I don't know the practice
21 of the various members, no.

22 MR. HAWKRIGG: I would like to suggest,
23 Mr. MacDonald, that the majority, if not all of them,
24 would presumably have suggested retail prices.

25 MR. SEDGWICK: Would it be true that
26 you suggest a retail price and are afraid to fix one
27 because of the Federal Resale Price Maintenance legis-
28 lation?

29 MR. HAWKRIGG: Of course, I am speaking
30 once again for our company. I have never heard of that.



1 But presumably when we are talking -- the sales of
2 the Fuller Brush Company average three or four dollars
3 per sale -- we do have suggested list prices; if the
4 dealer wants to shave the price a little bit, in
5 other words, so he can get his own sale, then this is
6 up to him.

7 MR. MACDONALD: He, in effect, is
8 shaving his commission?

9 MR. HAWKRIGG: That's right. He buys
10 at wholesale and he is expected to get retail. If he
11 wants to take something less, then --

12 MR. MACDONALD: The second point:
13 What is your present procedure if you have made a sale
14 and you come back and deliver the goods -- whether it
15 is the Electrolux or what you sell -- and the person
16 says: "I'm sorry, I've changed my mind. I don't
17 want it". What do you normally do? They presumably
18 have signed the order to begin with, it may be either
19 an order or it may be --

20 A DELEGATE: (Inaudible)

21 MR. MACDONALD: What, for example,
22 in the Fuller Brush Company? Someone gets an order
23 and you come back to deliver a week or two weeks later --

24 MR. HAWKRIGG: Which is the normal way
25 that we do our business. Then if the lady doesn't
26 want it she doesn't want it and that's all there is to
27 it. The dealer then has the privilege of returning
28 the product to us, but because we are talking such a
29 small sales value, the dealer will then try to sell
30 that product to Mrs. Jones.



1 MR. MACDONALD: So you, in effect, have
2 a waiting period now?

3 MR. HAWKRIGG: Oh, well, ourselves, we
4 take the order and then a week or ten days later
5 deliver it.

6 MR. MACDONALD: But as I say, you,
7 in effect, have a waiting period in your practice.
8 If he has changed his mind you don't sue him or --

9 MR. HAWKRIGG: That's right. We,
10 as a company, have a waiting period.

11 MR. MACDONALD: But in the instance
12 of Electrolux, for example, you deliver directly at
13 the time of the sale?

14 ELECTROLUX DELEGATE: We deliver
15 directly, yes. (Rest inaudible)

16 MR. MACDONALD: Why would it dampen
17 the enthusiasm of the Electrolux salesman any more
18 than it would many of the other direct selling companies
19 who, as a practice, deliver at a later date?

20 A DELEGATE: (Inaudible) We don't do
21 this. We deliver at the time the contract is completed.
22 If the salesman has to go back after the contract is
23 signed, in essence, that's another call.

24 MR. MACDONALD: But in effect your
25 business procedure, I mean your argument is that you
26 would have to come back twice. All I am saying is that
27 then you would have to do what many of the others are
28 doing as a general practice, come back the second time.

29 A DELEGATE: (Inaudible)

30 MR. MACDONALD: How widespread would be



1 the practice, for example, of your salesman, on his
2 own initiative, coming back for the first downpayment
3 after payday?

4 A DELEGATE: Not very.

5 MR. MACDONALD: Very small.

6 A DELEGATE: The downpayment is
7 usually taken at the time of completing the contract.

8 MR. MACDONALD: Well, Mr. Chairman,
9 I wonder if I can move to what is the real nub of the
10 thing here. The thing that puzzles me in this brief
11 is that -- I was once a salesman myself, in my youth --
12 Fuller Brush --

13 MR. HAWKRIGG: Were you fired?

14 MR. MACDONALD: No, I wasn't fired.
15 (Laughter). And it's significant that 30 years went
16 by before they started investigating the field too,
17 after I had been in it. (Laughter)

18 But the thing that puzzles
19 me about it is that as I look at this list of companies
20 there is no problem. I may be being a bit broad in my
21 statement because there are some of them I don't happen
22 to know. But as you read Watkins, Fuller Brush, Avon
23 and so on, I don't think there is any problem with
24 them. In fact some of these are institutions in the
25 rural life of Canada, as I have known it. These men
26 travelling around are almost as much of an institution
27 as the church in the village. So I don't think there
28 is a problem there. The thing that disturbs me about
29 your brief is your tendency to, in effect, suggest there
30 is no problem, because you people are doing business in



1 an ethical way. For example, you say on page 5 in
2 paragraph 10(b) "It is our view that the case for
3 a 'waiting period' has not been proved." And on
4 page 19 you add: "Again we reiterate our view that
5 the most effective method of stamping out unscrupulous
6 merchandisers is through consumer education". Well
7 then I say just as a statement -- and I'm not asking
8 you a question here -- but I think the case has been
9 proven solidly, and I think the fact that this
10 Committee is sitting is evidence of the fact that the
11 case has been proven solidly. It's not for you people,
12 it's for others in the field. And furthermore it has
13 been proven solidly because it is my guess and
14 assumption that most people don't agree with you,
15 that we are going to cope with the problem by consumer
16 education. Because consumer education may reduce the
17 group of gullible people, the people who are susceptible
18 to a high pressure salesman, a bit, but it is not
19 going to remove it. And this is our problem.

20 If I may say so, the thing
21 that disturbs me about your brief is that it is a good
22 one, coming from companies who aren't really creating
23 the problem, but if you ignore the problem or grossly
24 minimize it and you come up with no solution except a
25 solution which I think is not an acceptable solution
26 in terms of coping with the problem -- long term
27 education.

28 Now if it is possible, and you
29 through out the idea, and it had gone through my mind,
30 to exempt those who are in this company -- for example,



1 I'm curious as to why a wide range of door-to-door
2 selling, and companies that have been in the field
3 for a considerable length of time, haven't joined
4 your organization. Is it because your code of ethics
5 is such that they don't feel that they can live up
6 to it and they want to operate in a freer, higher
7 pressure fashion?

8 MR. HAWKRIGG: Well, could you give
9 me an example of a firm that you are thinking of?

10 MR. MACDONALD: Well, there is a
11 lot of them that are selling siding, there is a
12 lot of them selling cleaners like Electrolux.

13 MR. HAWKRIGG: Are they Canadian
14 manufacturing companies?

15 MR. MACDONALD: Whether they are
16 Canadian manufactured or not is not really the
17 problem. You have restricted your companies to
18 Canadian manufacturers. Now by that decision, fine.
19 This is your privilege. But this doesn't meet our
20 problem because we are trying to devise legislation
21 to protect people -- it may be made in Japan, anywhere.
22 In other words you come up with no solution and you
23 minimize the problem and you come up with no solution
24 to it.

25 Now, Mr. Chairman, the only
26 comment -- and I really have no questions to ask --
27 I have one question, as I look at it. My only comment
28 is, though, that I think if you are sincere about this
29 waiting period, as you suggest, (a) you have got to
30 recognize the problem is much bigger than you are



1 suggesting and come up with an alternative solution
2 because I don't think the public and I don't think
3 this Committee is going to tolerate the existing
4 situation. And to suggest, as you do in your paper,
5 that there is no contemporary legislation -- I don't
6 know how you meant that, but the conservative
7 government in Britain just passed one and they are
8 ardent supporters of free enterprise. Because they
9 felt that they had to cope with the problem that
10 exists with the fly-by-night operators.

11 For example--if you want the
12 background to it, it was the labour government that
13 raised the problem before the '59 election, (Laughter)
14 and the conservatives set up the Molony Commission
15 and four years later we got the solution. It was
16 the conservatives who put it into effect.

17 For example, Mr. Chairman,
18 on page 5 -- may I ask a question. "In our view
19 it would do nothing to eradicate the fly-by-night
20 operators or outright frauds who are an anathema to the
21 ethical business man." I just can't understand how you
22 would make that statement. Now my question would be,
23 what do you mean when you say there are too many
24 ways for an unscrupulous person to get around it? Would
25 you enlighten me? How would an unscrupulous person
26 get around a four-day waiting period if this would in
27 effect give the housewife a chance to sit down and talk
28 it over with her husband and not be subject to a
29 contract they didn't want?

30 MR. HAWKRIGG: Well, Mr. MacDonald, not



1 being an unscrupulous operator I am sure I can't give
2 you all the ways and means, but I would think that
3 to my knowledge the people who are abusing the door-
4 to-door method, the bulk of complaints that I have
5 been able to read up on -- let's say home improvements.
6 The fraud that is involved there normally is the
7 fact that the money is taken at the time and the
8 person never does come back to make the home improvement.

9 MR. MACDONALD: Well there are
10 ramifications to it, the quality of the product put
11 in, that the paper is sold to a company and the
12 company doesn't care anything about what is done, all
13 they want to do is make the collection. There are
14 many --

15 MR. HAWKRIGG: Yes, I'm sure there
16 are too, but I don't know what proportion we are
17 talking about here. This is what we are suggesting
18 here. First of all on the type of fraud that is
19 involved, where the merchandise is never produced and
20 the money is taken at the signing of an agreement or
21 a contract or whatever it is -- this is one area that
22 this is not going to stop. Another area -- particularly
23 if it's a fly-by-night operation -- they take the
24 downpayment and they never do show up. This is a
25 second ramification. A third one can be -- all right,
26 they deliver a piece of merchandise, then the lady
27 decides she is going to cancel out, where does she send
28 the notice? If it's fly-by-night, the chances of
29 there being a head office are very small.

30 MR. MACDONALD: Aren't you giving me



1 a very magnificent case for a waiting period?

2 MR. HAWKRIGG: Not really. I'm
3 suggesting that the waiting period is not going to
4 stop this type of thing.

5 MR. MACDONALD: If there is no
6 downpayment, if there is no delivery of goods,
7 nothing until the end of the four day period, so
8 then and only then does the contract become valid,
9 haven't you given a full chance to the consumer to
10 review the situation and become free of being
11 victimized by the fly-by-night operator?

12 MR. HAWKRIGG: Normally the money
13 does go on the first contact.

14 MR. MACDONALD: Well it may not
15 necessarily be under a four-day waiting period. There
16 may be a contract signed but no payment made until
17 the four-day waiting period is over. That might be
18 the law.

19 MR. HAWKRIGG: One other interesting
20 thing that I would like to have answered. I don't
21 know how far you have gone into this. What actually
22 is going to be an effective cancellation of the order?
23 Is it a telegram, a phone call to the general manager
24 or what is an effective cancellation?

25 MR. MACDONALD: I think your point is
26 well taken and I don't know as we have yet considered
27 that. What is it in Britain?

28 MR. SEDGWICK: It's a long section.
29 There is a section in Britain which this Province
30 could either adopt or adapt. I don't think it presents



1 any great difficulty.

2 MR. HAWKRIGG: But in the signing of
3 contracts after a sale has been made, because it
4 happened to be a direct sale, is the problem really
5 in the financing of the sale that was the result of
6 a direct sale? Is this the major area?

7 MR. MACDONALD: No, it's in mis-
8 representation, it's in high pressure -- a lot of
9 testimony is going to come in the next two or three
10 days that I hope will clarify it. I would say to
11 you without any fear of contradiction that once a
12 week, regularly, and this means that I get it once
13 a week -- there are a hundred cases or a thousand
14 cases that I don't hear of within my own constituency --
15 of people who provide me with evidence of having
16 been victimized by door-to-door salesmen. This is
17 a major problem. I don't want to make speeches here,
18 Mr. Chairman. The only point I would make, as a
19 general proposition I am convinced that if we could
20 come in with something that would catch the door-to-
21 door salesmen, the people who are going to benefit most
22 are you because you are ethical operators, and you as
23 door-to-door salesmen, your reputation has been
24 smeared by the unethical operators in the field. You
25 are the people who should be most interested in an
26 effective solution to this problem. And you would
27 benefit from it most, I would think.

28 MR. HAWKRIGG: Well we certainly have
29 a common cause here and we certainly acknowledge the fact
30 that there are abuses, Mr. MacDonald. The thing that



1 was concerning us was when we see this type of legis-
2 lation that is being proposed -- I don't have the
3 answer. I wish I did have the answer. But the
4 unfortunate thing that we can see is that there is a
5 net there that, unfortunately, we feel that we are
6 going to be caught up in and we are down here and
7 all we are trying to do is give you our opinion as
8 to what we think this legislation is going to do as
9 far as we are concerned. There is certainly no
10 quarrel that any legislation that is going to stamp
11 out the fly-by-nighters -- heavens we would welcome
12 that with open arms.

13 MR. MACDONALD: I am hesitant to speak
14 on behalf of this Committee, but I'll speak on behalf
15 of myself, certainly if we are going to create a net
16 will reduce it's application to the ethical operator
17 to the absolute minimum. This I am certain is the
18 intention of the whole Committee. But I don't think
19 we can ignore the great deal of door-to-door selling
20 where there is unethical practice.

21 MR. HAWKRIGG: We thought it might be
22 a little bold if we suggested that the legislation
23 came in with the wording excepting the Direct Sellers
24 Association, and this is why it was not proposed as a
25 solution. But if the Committee would consider it I
26 would like to recommend it, and I'd write it in right
27 at the bottom of this brief, if you like.

28 MR. LAWRENCE: The waiting period
29 wouldn't effect the way your company is operating at
30 the present time, would it?



1 MR. HAWKRIGG: No, it wouldn't effect
2 a number of the companies actually, Mr. Chairman, but
3 it would seriously, I think, effect three of the
4 members of our Association and I think that you
5 gentlemen can appreciate that as an Association we
6 pretty well have to come up with a uniform front
7 as to what our position is going to be.

8 MR. MACDONALD: Which are those, the
9 ones that deliver right when they sell the contract?

10 MR. HAWKRIGG: That's right. I can't
11 minimize really the effect of having to change that
12 type of selling to a call-back four days later. I
13 don't know how many of you are salesmen but call-backs
14 are just complete wastes of time. You don't make any
15 money and your family doesn't benefit whatever.

16 THE CHAIRMAN: Has your Association
17 given any thought to some form of licensing requirement?

18 MR. HAWKRIGG: There are municipal
19 licensing requirements, as I am sure you must be aware.

20 MR. LAWRENCE: And provincial --

21 MR. HAWKRIGG: Well, and municipal
22 as well.

23 THE CHAIRMAN: You don't think there
24 is any solution in that area perhaps, to this problem?

25 MR. HAWKRIGG: Well, I think if you
26 get into licensing -- depending on whether it would
27 be metal plates, like a credit card -- I would doubt
28 that it would be effective.

29 THE CHAIRMAN: Mr. Kerr?

30 MR. KERR: I was wondering, Mr. Hawkrigg,



1 if you know of any members of your Association who
2 in the promotion of their products deal in any type
3 of bonus set-up or contest? Ostensibly a lot of
4 these salesmen who go from door to door, they try
5 to convince the consumer that they are giving something
6 away for nothing. In other words, the ladies convince
7 their neighbours to take part in some sort of a
8 contest. The original customer may end up with a
9 free vacuum cleaner or something like this. Now this
10 may be by way of a certain type of certificate or
11 something like this. The salesman goes to the door
12 with a sample vacuum cleaner that will eventually
13 be theirs, a contract is signed, the vacuum cleaner
14 is taken away, and after they get a certain number
15 of their friends signed up in a contest, then they
16 are delivered a machine which is usually a much
17 cheaper one than the original one. The customer is
18 obviously doing a lot of work for the vacuum cleaner
19 company and ending up with a lot of trouble and a poor
20 machine. Do you know of anybody in your Association
21 that does that?

22 MR. HAWKRIGG: Well, I can't speak
23 for all of our member companies, but I would seriously
24 question if there were any type of promotion geared
25 to that aspect. I mean, we all have inter-company and
26 dealer promotions, but this is on certain sales
27 achievements and we offer prizes directly to the
28 dealer. We do not offer any incentives to the customer
29 as such, although I believe when you get into these
30 party plans -- this is foreign to our type business, but



1 Tupperware operates on a party plan -- I don't know
2 if any of our other members do or not. The only
3 incentive, to my knowledge, on the party plan is
4 the fact that the person who has the party in her
5 home receives a certain percentage of the sales that
6 are made on that demonstration. I would seriously
7 doubt if we have a member who would exhibit a first-
8 class piece of merchandise as a prize to a consumer
9 for achieving certain things and then deliver something
10 quite different.

11 ELECTROLUX DELEGATE: As far as
12 Electrolux is concerned, Mr. Chairman, we frown on
13 anything of that kind. Anything outside of our
14 contract is not binding on the customer. (Rest of
15 statement inaudible).

16 MR. KERR: I am talking about the
17 salesman who has a contract which is, in fact, the
18 customer is taking part in a contest. There is an
19 actual contract to this effect -- you are going to get
20 so many people and then you will get a free machine.
21 This is quite prevalent in the cosmetic field, isn't
22 it? These women in the neighbourhood end up as sort
23 of sub-agents for some houses. Encyclopaedias, and
24 magazines, of course, which I sold as a youngster -- I
25 know for a fact when you go door-to-door to sell
26 magazines, you are not selling magazines, you are trying
27 sell a customer to win a contest or maybe (rest
28 inaudible).

29 MR. HAWKRIGG: Well I think you maybe
30 might sell one brush to go back to college, but when



1 you came around again three weeks later, I don't know
2 what your story would be then, Mr. Kerr. Every
3 dealer has his own pitch and he can use working his
4 way through college, as you have quite successfully
5 selling magazines, I'm sure he will use it. But I
6 would say this is not the normal presentation, as
7 far as our member organizations are concerned. I
8 think the initial knock on the door, and when the gal
9 comes to the door you say: "I'm Mr. So-and-so of
10 the Fuller Brush Company or Avon Company" -- there is
11 none of this ten minutes to find out who you are
12 representing.

13 MR. KERR: Would you say that this
14 type of selling was basically dishonest?

15 MR. HAWKRIGG: What?

16 MR. KERR: This thing, the contest
17 or the gimmick type of selling?

18 MR. HAWKRIGG: Well, what do you mean
19 by gimmick -- you mean a good vacuum cleaner and then
20 substitute a poor one?

21 MR. KERR: No, the idea that the
22 customer is going to get something for nothing by
23 taking part in a contest, regardless of what the
24 merchandise is. Would you say this is basically
25 dishonest, this type of approach or pitch?

26 MR. HAWKRIGG: Well --

27 MR. MACDONALD: That's not a fair
28 question.

29 MR. HAWKRIGG: All I can say is that
30 the prize could be a first-class prize and you can get



1 good volume out of it, and everybody's happy, I'd say
2 Yes, that's a good contest. We don't do it.

3 MR. MACDONALD: No more dishonest that
4 green stamps.

5 MR. ROWE: Gentlemen, I think we have
6 quite a reliable group of men presenting a brief here
7 today. Before someone asked about licensing. I do
8 think they would improve their rating if they did
9 have all their salesmen secure licenses. I have been
10 in the retail business for 45 years myself and I know
11 what it is to sell and I know how you can have to sell
12 it a couple times too, as far as that's concerned.

13 By and large anybody who is selling anything wants
14 to see their customers satisfied and I can see that
15 these firms do want to see their customers satisfied.

16 MR. MACDONALD: We've got the good
17 buys in and we are asking them for advice as to what
18 to do with the bad guys.

19 MR. ROWE: One question that maybe
20 Mr. Hawkrigg can't answer but Mr. Electrolux probably
21 can. You charge 3/4 of 1% per month on the unpaid
22 balance. Do you feel that that percentage covers
23 your cost of credit? Other businesses like Eaton's
24 and Simpson's and so on figure that about 16% is the
25 average or break-even point. Anything less than that
26 and they are burying some of the cost of credit in
27 the cash price of the product. Do you feel that 3/4 of
28 1% covers yours?

29 ELECTROLUX DELEGATE: I would say, yes.
30 There is a question of subsidization there because of



1 the effort the man has to put into direct selling.

2 (Rest of statement inaudible).

3 MR. ROWE: You don't feel that any
4 of your costs of credit are buried when the purchaser
5 pays cash?

6 ELECTROLUX DELEGATE: (inaudible)

7 MR. ROWE: Do you investigate the
8 credit rating of all your customers?

9 ELECTROLUX DELEGATE: No, we don't.

10 MR. ROWE: You just -- no matter what
11 they are, you run that risk?

12 ELECTROLUX DELEGATE: (Inaudible)

13 THE CHAIRMAN: Mr. Letherby?

14 MR. LETHERBY: Mr. Chairman, I haven't
15 many comments to make other than those that have
16 already been made by various members of the Committee.
17 I am in agreement with the other members of the
18 Committee that such reputable firms as Fuller Brush
19 and the Watkins people, Avon and so forth, these
20 people have proven over the years that they have a
21 high code of ethics in business, a good product
22 that is well received and well liked. I can't see
23 where there should be a great amount of difficulty so
24 far as your firms are concerned, in this respect. My
25 wife likes Fuller Brush and Avon products. If a Fuller
26 Brush man comes to our door and she needs some items,
27 she orders them and on his next trip she receives them
28 and pays for them and is thankful for them. And as a
29 rule the Avon dealer in your community is a woman who
30 probably is your neighbour for a good many years, so



1 that you know their product, you order them, you pay
2 for them. But I think what the Committee is trying
3 to get at are these people who are outside of your
4 set-up, and who are down-to-earth robbers. (Laughter)

5 MR. REILLY: Well, Mr. Chairman --

6 MR. LETHERBY: Excuse me -- now this
7 goes back to the fellow who put on the bad siding
8 that you told us about. Now I'm thinking of a case
9 in our area -- not recently, this would be two or three
10 years ago -- before this Committee was conceived.

11 Take a widow who is living in a more or less older type
12 of house and two or three men invade the village and
13 they are supposed to be masons, chimney masons. They
14 stand back and say: "Look, those chimneys are rotten
15 and are going to fall down before the winter is over
16 and you will be asphyxiated if you don't have them
17 attended to now. Now, we are experts". Well, she's
18 a gullible person, like a lot of simple people, so
19 they say: "We will make an inspection of these
20 chimneys", and after they run around the roofs and
21 peek down and shove some old oily rags in them and
22 light a fire and get lots of smoke coming and going
23 and then say: "Those chimneys are faulty. We would
24 like to have the opportunity to prepare them for the
25 winter. We can't state what the bill is going to be
26 because we haven't undertaken the work." But they
27 say they will do it as cheaply as possible and she
28 figures maybe \$20.00 to fix up the chimney. They run
29 around the roof for three or four days and put a little
30 red paint on it and cap it, and it's \$450.00. Then they



1 appear at the door, and they are husky men, and she's
2 not in a position to give them arguments. And she
3 pays for it. That's the type of complaint, that's
4 the type of situation I think we are trying to correct
5 here. Not the splendid type of business you people
6 are doing at all. But how are we going to get after
7 them?

8 THE CHAIRMAN: Do you have any
9 comments on the brief?

10 MR. LETHERBY: I thought the brief
11 was very excellent. I can't see why for one moment
12 you people would hesitate to go for a waiting out
13 period. For the most part your products now have
14 ten days before delivery and no argument. If the
15 housewife has run out of money in the meantime and in
16 ten days can't pay for it, forget it. Lug it back
17 home and sell it to somebody else.

18 THE CHAIRMAN: Mr. Reilly, any
19 questions?

20 MR. REILLY: Mr. Chairman, the
21 gentleman for Electrolux -- is that Mr. Clasper?

22 ELECTROLUX DELEGATE: Yes.

23 MR. REILLY: Mr. Clasper, would you
24 like to tell the Committee something about your
25 appointees? For how long they are appointed? Do they
26 get a franchise, and how that franchise is discontinued
27 and whether they are allowed to employ other people or
28 whether the franchise is restricted to one dealer?

29 ELECTROLUX DELEGATE: It is restricted,
30 first of all, it is restricted to one person who signs



1 a dealer's agreement in which we lay down our policy
2 and rules and regulations and the manner in which he
3 will be paid and the fact that he will be bonded.
4 (Rest of statement inaudible).

5 MR. REILLY: And he doesn't employ
6 anyone else? He operates independently in his
7 division?

8 ELECTROLUX DELEGATE: That's right.

9 MR. REILLY: The federal government
10 controls the selling price. Now, do you give a
11 suggested retail price? It has been said here earlier
12 today that sometimes he shaves the price and has it
13 taken off the commission. What about exceeding the
14 price?

15 ELECTROLUX DELEGATE: Well, it is
16 most unlikely that a person would not have seen an
17 electrolux dealer once before and been quoted a retail
18 price. Again a lot of people will phone our branch
19 office, and we have 66 branches across Canada, or
20 a representative in that area, and check that price
21 before they buy. We don't have a price on our
22 contract. (Rest of statement inaudible). We send out
23 an invoice and quote on the invoice the number of her
24 new model, everything that she has paid, everything
25 she bought and everything she is charged. (Rest
26 inaudible)

27 MR. REILLY: Mr. Clasper, a number of
28 members of this Committee don't feel that there is
29 any monkey business as far as the members of this
30 particular Association is concerned. Do you have any



1 suggestions in addition to the brief that has been
2 submitted, as to how we can control the less desirable
3 operators and those that are unscrupulous?

4 ELECTROLUX DELEGATE: Well, sir, I
5 think the Direct Sellers Association has a code of
6 ethics that perhaps some legislative body could
7 enforce. We do it amongst ourselves and there is
8 no problem. We are willing to accept this code and
9 the rules and regulations. (Rest of statement inaudible).

10 MR. REILLY: Do you think your
11 organization would be prepared to submit recommendations
12 along this line?

13 ELECTROLUX DELEGATE: I do. I think
14 they would. (Rest of statement inaudible)

15 MR. REILLY: Well, Mr. Clasper, some
16 of the members of this Committee, as has been said
17 here today, feel that perhaps the home improvement
18 field, putting on the siding (rest inaudible) -- I
19 am under the impression that some of these door-to-door
20 salesmen don't last four days with companies. Would
21 this be correct? Even if you had a four-day waiting
22 period.

23 ELECTROLUX DELEGATE: I would say that
24 is partly correct.

25 MR. REILLY: He might be selling
26 aluminum siding or aluminum screens or aluminum windows,
27 for one particular firm, and he might not be with that
28 firm for a period of a week.

29 ELECTROLUX DELEGATE: I would say that,
30 yes.



1 MR. REILLY: Thank you, Mr. Clasper.

2 THE CHAIRMAN: Mr. Lawrence?

3 MR. LAWRENCE: I was wondering if you
4 are going to present another brief or any other
5 submissions either to the government or to this
6 Committee, that you also delve into the possibility
7 of some sort of provincial legislation making the
8 companies responsible for the acts of the dealers
9 and salesmen. I mean all of you people use this
10 gimmick of the "independent dealer". And it is a
11 dealer and it is a gimmick in the minds of many people
12 on the part of the company to evade responsibility
13 sometimes. If you don't think that is true, I think
14 you are fooling yourselves. This might be a field
15 that the legislators some day might feel the need
16 for an act of legislation and perhaps you should look
17 into this aspect of it too.

18 MR. HAWKRIGG: Yes.

19 MR. LAWRENCE: One other question --
20 I agree it has nothing to do with this Committee -- but
21 why does your Association restrict membership to
22 companies which manufacture in Canada?

23 MR. HAWKRIGG: This is a requirement,
24 of course, of being a member of the Canadian Manufacturers
25 Association, Mr. Lawrence, of which we are a trade
26 section. This is the one prime requisite, actually.

27 MR. LAWRENCE: And this means the
28 majority of the components in an article has to be
29 assembled here in Canada?

30 MR. HAWKRIGG: Well, manufactured.



1 MR. LAWRENCE: Manufactured. I see.

2 MR. HAWKRIGG: Although I am sure
3 there are adequate raw materials brought in.

4 MR. LAWRENCE: I'm sure, at least in
5 one of your companies. One of your members I was
6 surprised was called a Canadian manufacturer.

7 MR. REILLY: Would the Chairman like
8 him to tell us something about the educational programme
9 that he started to tell us about? You said they
10 make announcements over the air periodically. Have
11 you done anything else as part of alerting the public
12 to door-to-door selling and some of the undesirable
13 practices?

14 MR. HAWKRIGG: Well, Better Business
15 Bureaux and Chambers of Commerce -- well, Chambers of
16 Commerce, of course, they are constantly informing
17 their members of this area. Better Business Bureaux
18 are the same.

19 MR. REILLY: Yes, but their members
20 are not consumers, they are mainly retailers.

21 MR. HAWKRIGG: Oh well, yes. But
22 Better Business Bureaux themselves will normally send
23 speakers to ladies consumer groups and other consumer
24 groups. Normally these ladies are quite happy to have
25 people who will get up and tell them about these
26 different problems and make them aware. I'm sure that
27 radio-press-TV and also through the form of public
28 appearances. I don't know what else you can do, really,
29 other than doing it a little more extensively possibly
30 than is being done at the moment.



1 THE CHAIRMAN: Could you tell us how
2 you base your fees for membership in your Association?

3 MR. HAWKRIGG: Well this is based on
4 gross sales, Mr. Chairman. Each member contributes
5 various amounts depending on their size.

6 THE CHAIRMAN: It does seem to me, as
7 other members of the Committee mentioned, you have a
8 very small membership. I was just wondering if you
9 could give the Committee some idea of what sort of
10 budget you have.

11 MR. HAWKRIGG: Well, recalling our
12 last year's budget -- it's around \$25,000.00 a year.

13 THE CHAIRMAN: Are you actively
14 endeavouring to get new members?

15 MR. HAWKRIGG: Yes, we are always
16 looking for them. But the Canadian manufacturer
17 point is a pretty tough one for a lot of people to meet.
18 And I think it's probably quite correct to say that
19 any fly-by-night people -- not national firms -- are
20 not interested really in getting involved in possibly
21 a national association, which we are.

22 THE CHAIRMAN: Have any of these
23 companies on your list joined the organization within
24 the last two years, say?

25 MR. HAWKRIGG: Well, Amway joined this
26 year. Tupperware joined last year. West Bend, I
27 believe they have been in four years now. I can be
28 corrected on that. The Association has only been
29 formed since 1954, by the way, Mr. Chairman.

30 THE CHAIRMAN: And these companies that



1 have just joined, they are employing their manufacturing
2 and employing people --

3 MR. HAWKRIGG: In Canada, that's right.

4 THE CHAIRMAN: Do you have any
5 questions, Mr. Irwin?

6 MR. IRWIN: I have very little to
7 ask, Mr. Chairman. Certainly I agree with everyone
8 else that your group is a very reputable group. It
9 does lead to the comment that I guess it's hard to
10 be made in Canada.

11 Do you -- this question arises --
12 do you, apart from public education, do you attempt
13 in any way, as an Association, to take action or
14 restrict the activities of the disreputable door-to-
15 door salesman?

16 MR. HAWKRIGG: Well there is not
17 really much that we can do in the Association, of
18 course, to control other companies or other organi-
19 zations. What we have been doing over the past two
20 years, is that Mr. Ruskin, our public relations director,
21 spent six to seven months in B.C. approximately a year
22 ago going around to all these municipalities and Councils
23 and law enforcement officers, making these people
24 aware of the fact that there was a Direct Sellers
25 Association and what we stand for, left pamphlets and
26 brochures with them. Now that was our campaign in B.C.
27 in 1963. This year, as far as our public relations
28 are concerned, we are making contacts with consumer
29 groups, basically lady consumer groups, and we are asking
30 them if we can provide teachers and people who can go



1 out and tell them about ourselves, who we are and
2 what we stand for. Also, of course, to warn these
3 people of the fly-by-nighters. We are trying to
4 restrict this to the prairie provinces with this
5 year's budget and then we will eventually move into
6 the other provinces in time, as money permits.

7 It is to our own betterment
8 that we try and educate the consumer, and the best
9 way to get at the majority and the interested ones
10 is, of course, through these consumer organizations.

11 MR. IRWIN: You are actively, then,
12 trying to restrict the flow of people who are not
13 complying to your code of ethics?

14 MR. HAWKRIGG: Well, we are trying
15 to restrict it by making them aware of the fact that
16 we have this Association, yes.

17 MR. IRWIN: One other comment. With
18 all due respect to the arguments advanced against
19 the cooling off period, would it be fair to say that
20 your real objection to it is the effect it might have
21 on the sales build-up? In other words, the sale is
22 made to the best of your ability, then if you allow
23 the cooling off period it really would be a cooling
24 off period, not necessarily because of the cost but
25 your ability to make good on what is sold, what the
26 salesman says. It could mean having reached the point
27 of sale, everyone ultimately regrets. Is this not
28 true, would this not be the case?

29 MR. HAWKRIGG: No. I think when
30 people buy -- you may have second thoughts later on --



1 but I think most people who have been sold properly
2 are happy with the product. I think as far as a
3 cooling off period is concerned, I can't give you
4 all the ramifications that are involved, of course,
5 because we haven't had time to think them all out,
6 but there is extra time involved. There is just no
7 doubt about this. I think something I would like to
8 have you keep in mind, when we talk about a four-day
9 waiting period, it really would probably expand
10 closer to two weeks in some cases, because if it's a
11 four day waiting period and if there is any credit
12 investigation involved, you are obviously not going
13 to invest the credit until the waiting period is
14 over or else this is going to be time and money spent
15 if there is a possibility. A credit investigation
16 might take two, three or four days, depending on the
17 circumstances. Then if it's a factory order, by the
18 time you complete that order and get it back to your
19 dealer, a few more days have expired and then of
20 course the delivery is made. Now I'm sure that when
21 you go down to buy a car or there is something that
22 you want or something you have been sold on and you
23 want it, and then they say this is fine buy you can't
24 have it for ten days or something like this. There
25 is an edge lost there, there is just no doubt about it.
26 I think once the salesman has demonstrated the need
27 for the product and then created the desire, if he can't
28 deliver at that point; it's very important for our
29 type of selling, this desire for the product. If you
30 can't deliver at that point or promise it reasonably



1 soon, then you have definitely lost an edge.

2 MR. IRWIN: It does seem to me that
3 from your point of view the loss of rapture would be
4 the great deterrent to a cooling off period.

5 MR. HAWKRIGG: Well, you can't get
6 too wrapped up about a broom (laughter), but I
7 think once you have created the desire, it's --

8 MR. IRWIN: I was a brush salesman
9 too, through college. I tried to build up this
10 enthusiasm.

11 MR. HAWKRIGG: And you didn't have
12 a cooling off period.

13 MR. IRWIN: Just one last thing, Mr.
14 Chairman, actually directed to Mr. Sedgwick. Is there
15 any reason, in the event of a cancellation or non-
16 fulfillment of a contract on the part of a buyer
17 during the cooling off period, does any cause have
18 to be shown?

19 MR. SEDGWICK: Not in the English
20 legislation. No, you just cancel it.

21 MR. IRWIN: Thanks very much.

22 MR. WHICHER: Mr. Sedgwick, under the
23 English legislation, supposing a fellow was selling
24 Ford cars, going around the country door-to-door. Is
25 that covered there?

26 MR. SEDGWICK: I think it would be
27 because it's sold other than in a direct place of
28 business. It sold in other than what they call an
29 "appropriate place of business", an "appropriate
30 trade premises", a premises at which either the owner



1 or seller normally carries on a business of goods of
2 the description to which the document relates or of
3 similar description which are normally offered for sale.
4 So I think it would apply to the itinerant car
5 salesman who comes to your door, makes the sale, gets
6 the document there and goes away.

7 THE CHAIRMAN: Mr. Hawkrigg, the
8 average number of employees of your companies must
9 be quite high?

10 MR. HAWKRIGG: Dealerships, yes. We
11 have some large companies, as you can see, with large
12 dealer organizations.

13 THE CHAIRMAN: You are including the
14 dealers in these figures?

15 MR. HAWKRIGG: Yes, that's right.

16 THE CHAIRMAN: How many employees
17 would there be in your own company?

18 MR. HAWKRIGG: Employees, we have
19 approximately 500 in our plant and our warehouses.

20 MR. BUKATOR: Mr. Chairman, may I
21 ask one more question?

22 It seems that someone made a
23 point with me when they talked about the party plans.
24 Is there anybody in your group here representing that
25 group and how do they do about this?

26 MR. HAWKRIGG: I don't believe so.
27 Tupperware operate on party plans but there is nobody
28 here. I would doubt if Electrolux would.

29 MR. BUKATOR: A member sitting around
30 this table got tangled up with some pots and pans one



1 night, or his wife did, running into hundreds of
2 dollars worth. I was wondering if this could apply
3 with Tupperware also, but you don't have anybody
4 here who could speak on it?

5 MR. HAWKRIGG: Tupperware are not
6 pots and pans, they are plastics.

7 MR. BUKATOR: I said the member got
8 tangled up with pots and pans and I was wondering
9 whether this would be anything like it. I realize
10 it is plastics. They come into a home and they
11 give a commission to the lady of the house who runs
12 the show. Instead of getting money she may get a
13 couple of jugs, plastic jugs, and with that she
14 might buy another hundred dollars' worth. I was
15 wondering how they finance their problem, but you
16 can't answer that?

17 MR. HAWKRIGG: I can't answer that.

18 MR. BUKATOR: I was wondering whether
19 they finance it through a finance company or do they
20 handle it through their own company. When you are
21 sending this brief in, Mr. Chairman, maybe this
22 gentleman would be good enough to get their people to
23 tell us how they handle their financing also, the
24 Tupperware company.

25 THE CHAIRMAN: You would like us to ask
26 them how they handle their financing. Would you ask
27 them to supply that information, Mr. Hawkrigg?

28 MR. HAWKRIGG: Yes.

29 MR. LAWRENCE: Did you say you pay for
30 the free toothbrush, or the dealer pays for it?



1 MR. HAWKRIGG: We don't give away
2 toothbrushes. We will give you a handy brush, but --

3 THE CHAIRMAN: Gentlemen, are there
4 any more questions?

5 MR. KERR: Mr. Chairman, if Mr.
6 Sedgwick could briefly explain the legislation to
7 Mr. Hawkrigg and then Mr. Hawkrigg may be able to tell
8 us where this would present some difficulties to the
9 members of his Association.

10 MR. SEDGWICK: I would be glad to
11 but I'm not prepared to explain it now. In essence,
12 Mr. Hawkrigg, the English study, and you may be
13 familiar with it, provides that where the document of
14 sale is signed at other than an appropriate trade
15 premise, then the person who is obligated under it
16 has four days in which to renounce such purchase by
17 saying: "I don't want it". If he does, that is
18 the end of the transaction. But the mechanics of it
19 cover about three or four pages because they have
20 to define what is a trade premise, a trade document,
21 and so on. I'll get you a copy of the statute if you
22 like.

23 MR. KERR: Does it apply to cash sales?

24 MR. SEDGWICK: Oh no, no, no. This
25 deals with consumer credit.

26 MR. HAWKRIGG: I understood that it
27 wasn't cash sales, just conditional sales.

28 MR. SEDGWICK: It only applies to the
29 document which obligates the purchaser to pay so much
30 money at some time in the future. It never applies to a



1 cash sale. It wouldn't apply to your business at all.

2 MR. HAWKRIGG: Not at the moment, no.

3 MR. REILLY: Mr. Sedgwick, there is
4 no limit whatsoever, whether it's \$2.50 or \$25.00?

5 MR. SEDGWICK: I don't think there
6 is any.

7 MR. REILLY: No minimum?

8 MR. SEDGWICK: No. On the other hand
9 there is a practical minimum. I don't think people
10 sell for credit under some sort of figure, I would
11 think, something like \$50.00.

12 MR. REILLY: But it's not spelled
13 out?

14 MR. SEDGWICK: No.

15 MR. KERR: It might be an idea, if
16 there is such an Association as yours in England, to
17 see what their reaction is to this legislation.

18 THE CHAIRMAN: Any other questions?
19 Well, if as a result of your appearance here today,
20 Mr. Hawkrigg, anything occurs to you that you would
21 like to pass on to Mr. Harcourt, our Secretary, we
22 would be pleased to have any suggestions that may occur
23 to your later.

24 Let me say we are very indebted
25 to you for the brief you presented to us, particularly
26 on reasonably short notice. I would like to, on behalf
27 of the Committee, thank your Association and thank you
28 for the very good way in which you presented your brief.

29 MR. HAWKRIGG: Thank you, Mr. Chairman.

30 I would just like to express our appreciation for at



1 least having the opportunity to come and present our
2 views to this Committee. I am just a little sorry
3 if we have possibly offended a few of you as to
4 our thoughts and views in this area. I just hope
5 that you can appreciate that initially we feel that
6 this is definitely going to be detrimental to us,
7 possibly not only from the business procedures but also
8 from the impact on our sales organizations when this
9 becomes legislation.

10 THE CHAIRMAN: This is exactly what
11 we want to know, what impact any legislation we might
12 suggest would have. That might have some bearing on
13 whether they are passed or not.

14 MR. HAWKRIGG: Well there is certainly
15 no doubt in my mind that we have a common cause. I
16 just hope that we have made you people aware today
17 that our view, shall we say good guys in this type
18 of merchandising. We certainly appreciate any
19 consideration when you discuss legislation, if you
20 could see fit to say that the Direct Sellers Association
21 would be excluded from that waiting period, we would
22 be happy. (Laughter). We will put this in the form
23 of a brief, a second brief, if you like. But thank
24 you very much, Mr. Chairman.

25 THE CHAIRMAN: We will take five
26 minutes and then reconvene back in this same room.

27 MR. KERR: One point, Mr. Chairman,
28 they didn't offend us, we just don't agree on certain
29 points.

30 ---SHORT RECESS.



1 THE CHAIRMAN: Gentlemen, there is one
2 more brief to hear this afternoon from the Canadian
3 Central Registry of Subscription Representatives, Inc.
4 Here representing them we have Mr. H. A. MacDonald,
5 Mr. G. V. Laughton and Mr. E. J. Hessin. They have
6 a short brief so we will ask them to proceed with
7 the presentation of their brief.

8 MR. HESSIN: Mr. Chairman, if I may
9 I would like to read just a portion of a letter I
10 directed to the Committee, to Mr. Harcourt, to give
11 us a basis for this.

12 Canadian Central Registry,
13 which is affiliated with the Periodical Press Association
14 consists of the major magazine publishers and
15 subscription agencies who are pledged to promote
16 ethical methods in the sale of consumer magazine
17 subscriptions. Two, they have on deposit with the
18 Registry a bond guaranteeing fulfillment of any
19 subscriptions written by their representatives on
20 their bona fide receipts. More than 90% of all
21 consumer magazine salespeople are registered with the
22 Registry and are priced by their employers to obey
23 its standards of practice. They all carry Canadian
24 Central Registry 60-day licences to identify themselves
25 as being obligated in this respect.

26 As we would understand from the
27 terms of reference in your letter that the primary
28 purpose of the Committee was "matters relating to the
29 actual cost of credit to consumers", I have examined
30 with our member firms the basis on which credit is



1 extended on budget or time payment contracts. Such
2 contracts naturally offer varying choices of specific
3 consumer, that is general, magazines, and may vary in
4 number and period of payments.

5 Information provided by our
6 members shows the instalment payments under a contract
7 to be equal to the cash prices for the same publications
8 and the same period of time and are without interest
9 or carrying charges.

10 Again referring to the terms
11 of reference "matters relating to the actual cost
12 of credit to consumers, such as instalment purchases",
13 we would ask that this letter be accepted in lieu of
14 a formal presentation as the indicated interest of
15 the Committee, we believe, is concerned with conditional
16 sales agreement where additional cost charges devolve
17 upon the purchaser and which do not occur in this
18 instance.

19 Mr. Chairman, I would like to
20 introduce the two gentlemen immediately behind me.
21 On my left Mr. G. V. Laughton, who is the Chairman
22 of Canadian Central Registry and on my right Mr. A. J.
23 MacDonald, who is the Vice President and General Manager
24 of Dominion Readers Service. Mr. MacDonald, being here
25 as a representative of one of our member firms is avail-
26 able to answer your enquiries and Mr. Laughton also
27 would be happy to add any remarks that he may have and
28 I think, if you will excuse me I'll go back and regain a
29 row here.

30 THE CHAIRMAN: Unless they would like



1 to move up with you, which might be a little better
2 for our microphones.

3 Mr. Sedgwick, any questions?

4 MR. SEDGWICK: Mr. Hessin, you say
5 in your brief, which I just read while you were
6 reading it, that Central Registry consists of the
7 major magazine publishers...Are you confined to Canadian
8 magazine publishers?

9 MR. HESSIN: No, that includes
10 American publishers, U.S. publishers, too.

11 MR. SEDGWICK: For instance, do you
12 handle such periodicals as Life, Time, Newsweek, Harpers,
13 etc.?

14 MR. HESSIN: Our members handle these
15 magazines.

16 MR. SEDGWICK: Yes. And then do you
17 also distribute such Canadian publications as The Plains
18 and Saturday Night?

19 MR. HESSIN: Yes. Perhaps I should
20 clarify that the Registry does not handle any of
21 these periodicals. The Registry is an association of
22 the members who handle these periodicals.

23 MR. SEDGWICK: I see. And in the case
24 of the Canadian periodicals, such as, for instance, The
25 Plains, do they distribute it or is it distributed
26 through their own facilities? Do they engage sub-
27 scription agents?

28 MR. HESSIN: I believe all publishers
29 -- that is with one or two exceptions and who are
30 not members of ours -- use distributors in the form of



1 agencies of one type or another.

2 MR. SEDGWICK: Is that correct? Who,
3 in turn, engage people who do door-to-door soliciting,
4 is that correct?

5 MR. HESSIN: That's correct.

6 MR. SEDGWICK: To take a concrete
7 example, if a member of your organization calls at
8 a house and endeavours to secure a subscription for,
9 shall we say, The Plains, you say that the cash price
10 and the subscription price would be the same?

11 MR. HESSIN: May I ask what you mean
12 by a cash price?

13 MR. SEDGWICK: How is the transaction
14 carried out? Suppose the housewife says Yes, she
15 would like to have Homes and Gardens. She then signs
16 a subscription form, is that correct?

17 MR. HESSIN: If it is a cash sale
18 the order is given normally, being a cash sale, there
19 is not a signature necessary. It's just like buying
20 over the counter.

21 MR. SEDGWICK: Right. Then if it isn't
22 a cash sale. Suppose she is paying \$7.00 for a two-year
23 subscription. How is she billed, so much a month?

24 MR. HESSIN: If it is purchased on
25 a time payment plan she may, she will pay a specified
26 amount, depending on how the contract is set up. But
27 that amount, the total of that amount, as I have
28 mentioned in this brief, will be the same as the
29 subscription price.

30 MR. SEDGWICK: Yes.



1 MR. LAUGHTON: I think we might
2 clarify this a bit. An individual subscription would
3 rarely be bought on other than a cash basis. It
4 wouldn't be large enough. You only get into what
5 we call in the trade, stationary service subscriptions,
6 that you would get instalment buying. That is when
7 two or more publications are sold under the one
8 buyer. They may buy as many as six or seven publications
9 -- there is no limit, I suppose, as to the number they
10 can buy. Then the price is quoted and the total
11 price they pay is the same as if they bought those
12 magazines for that same term and paid cash for them.

13 MR. SEDGWICK: So that if each
14 magazine had a subscription price of \$5.00 for a year,
15 and they select four magazines, then that would be
16 \$20.00. And it doesn't matter whether they pay the
17 \$20.00 at the time or whether they decide on credit
18 over a period. Is that correct?

19 MR. LAUGHTON: Yes. Most agents, the
20 man who sells a company, the agencies that sell, usually
21 doesn't sell for cash. (Rest of statement inaudible)

22 MR. SEDGWICK: Well then, Mr. MacDonald,
23 if one of your representatives sold a \$20.00 total
24 subscription on terms, what would the terms be; so
25 much every month, so much every three months?

26 MR. MACDONALD (H.A.) It is usually
27 spread over a two year period. Magazines are often
28 sold for three. Really the most economic way to buy
29 a subscription is a two year term. One year is often
30 quite expensive.



1 MR. SEDGWICK: Yes, I understand
2 that. One year \$7.00, two years \$10.00, three years
3 \$12.00 -- something like that?

4 MR. MACDONALD (H.A.): That's right.
5 Newsweek is sometimes longer, sometimes four. And
6 payment is made for the total subscription during
7 the first two years. That's the norm.

8 MR. SEDGWICK: And is it paid monthly
9 or quarterly or --

10 MR. MACDONALD (H.A.): Monthly.

11 MR. SEDGWICK: So it would be very
12 small, a dollar or two a month, is that correct?

13 MR. MACDONALD (H.A.): Well, usually.
14 You see, magazines have gone up in price, to some
15 considerable extent. A two year subscription to Life,
16 for example, would be around \$20.00. So it is
17 difficult to get three or four magazines under \$50.00.

18 MR. SEDGWICK: For three years?

19 MR. MACDONALD (H.A.): That's right.

20 MR. SEDGWICK: And that would be paid
21 over two years?

22 MR. MACDONALD (H.A.): That's right.

23 MR. SEDGWICK: About \$4.00 a month.

24 MR. MACDONALD (H.A.): Probably \$2.00
25 a month. \$2.00 down and \$2.00 a month for 24 months.

26 MR. SEDGWICK: And you don't add
27 anything at all for finance charges?

28 MR. MACDONALD (H.A.): No. They
29 could pay \$50.00 in advance, or send it in to the
30 company, various publishers, and they would get the same



1 value.

2 MR. SEDGWICK: Then do you bill them
3 monthly for \$2.00?

4 MR. MACDONALD (H.A.): No. We give
5 them 24 coupons and 24 envelopes. This is the usual
6 way. And they send in \$2.00 each month until the
7 coupons are used up.

8 MR. SEDGWICK: Suppose they stop
9 sending in the \$2.00. Do you just stop sending them
10 Life or whatever it was?

11 MR. MACDONALD (H.A.): No. Unfortunate-
12 ly they are in no different position than if they had
13 paid cash. Their neighbour may have paid in advance
14 and their money has gone to the publishers to the
15 distributors. If they buy on time their obligations
16 have actually been assumed on their behalf by the
17 company which they are doing business with. And
18 they have actually a three year subscription which
19 they haven't paid for. If they want to give it
20 away or something -- nobody cares very much what
21 they do with their reading whether they paid for it
22 in advance or whether they agreed to pay in instalments.

23 MR. SEDGWICK: And if they agreed to
24 pay in instalments and do not pay, then you cannot
25 repossess a periodical, your only remedy is to sue
26 them for the owing balance, is that right?

27 MR. MACDONALD (H.A.): That's right.

28 MR. SEDGWICK: Does that happen with
29 any frequency?

30 MR. MACDONALD (H.A.): Well, I'm



1 inclined to say that it does sometimes happen, frequently.

2 MR. MACDONALD: (D.C.) I'd like to
3 ask Mr. MacDonald, Mr. Chairman, what he means by
4 frequently?

5 MR. MACDONALD: (H.A.): Well, I
6 wouldn't say that it is a rare occurrence.

7 MR. SEDGWICK: Well, I would like to
8 ask what is meant by rare? I don't know how high is
9 up. But is it 2%, 5%, 1%?

10 MR. MACDONALD (H.A.): Most people
11 pay their bills.

12 MR. SEDGWICK: I know that, but some
13 people don't, and I know that too.

14 MR. MACDONALD: (H.A.): The Courts
15 are put there for a reason. Let me say you can't
16 repossess, there is nothing to repossess.

17 MR. MACDONALD (D.C.): Have you recourse
18 to the publishing company? If they don't pay you?
19 So that, in effect, you can get some rebate from them
20 if the subscription is cancelled?

21 MR. MACDONALD (H.A.): Well, yes, we
22 do. But you don't have recourse for your selling
23 costs, which are quite high in this business. It may
24 be as high as -- I don't know -- 30%.

25 MR. MACDONALD (D.C.): 90%. Having
26 been in the game, it is as high as 90%, to the Captain
27 of the team.

28 MR. LETHERBY: That's the olden days,
29 Don.

30 MR. MACDONALD: But you are talking



1 about cash business.

2 MR. MACDONALD (D.C.): That's right.

3 MR. MACDONALD (H.A.): And as to the
4 salesmen. You know how difficult it is to sell. She,
5 the housewife, can say No so fast. So the rebate,
6 you send in the cancellation to the publisher and
7 some publishers will give you a rebate for the
8 undelivered portion of it. Others will not. It
9 depends on your arrangement with them. Some take
10 the attitude that they don't know whether the money
11 they receive belongs to you or belongs to the
12 customer. There is no way of knowing. A neighbour
13 can buy a cash subscription and pay us and we send
14 their money to the publisher. Others, the publishers
15 have no way of knowing if that money is our money
16 or the customer's money.

17 MR. SEDGWICK: I was going to ask
18 you that. When your representative gets an order
19 for a three-year subscription and the three-year
20 subscription, say, totals \$20.00, some part of that
21 will be payable to the publisher, is that right?

22 MR. MACDONALD (H.A.): Oh, yes.
23 You have contracts with individual publishers and you
24 do the best you can. Some publishers have a very good
25 rate. Others, it is quite high.

26 MR. SEDGWICK: What is it? What is
27 very good and what is quite high?

28 MR. MACDONALD (H.A.): Ten percent --

29 MR. SEDGWICK: Surely none of them, in
30 no case would you get as little as 10%?



1 MR. LAUGHTON: It varies with the
2 proportion of business --

3 MR. SEDGWICK: Well, I just wondered --

4 MR. MACDONALD:(H.A.): Ninety
5 percent of all magazines, the commission you would
6 make is less than 10%. Now there are some, it works
7 all the way down the line, some -- I would say the
8 norm for certain consumer types -- if you have a
9 contract -- if you don't have a contract with them
10 then you have to figure the whole amount. But I
11 would think around 70% would be normal.

12 MR. SEDGWICK: That is if the
13 subscription is \$10.00, \$7.00 would be turned over
14 to the publisher. Is that right?

15 MR. MACDONALD (H.A.): No, no, they
16 are worth \$3.00.

17 MR. SEDGWICK: So that the selling
18 organization would keep seven out of ten?

19 MR. MACDONALD: The selling and the
20 lab and the collection department, which has to be
21 maintained for two years.

22 MR. SEDGWICK: Yes. And then if the
23 sale is made on credit does the selling organization
24 pay the publisher out and assume itself the credit?

25 MR. MACDONALD (H.A.): That's right.

26 MR. SEDGWICK: And you refinance that
27 paper, I suppose, as a trade paper?

28 MR. MACDONALD (H.A.): No, it's not
29 trade paper.

30 MR. SEDGWICK: It's not in the form of



1 a negotiable note?

2 MR. MACDONALD (H.A.): Not
3 negotiable, no. At least we haven't found it to be
4 so. It is not negotiable because the delivery has
5 not yet been effective.

6 MR. SEDGWICK: No, and of course it
7 has no repossession value at all. So that your only
8 remedy is the remedy against the subscriber against
9 the balance of the subscription, is that right? That is,
10 as you have already said, there is no sense in
11 discussing with you percentages or dollar figures
12 because you don't specify any part of the price as
13 being the cost of credit.

14 MR. MACDONALD (H.A.): No, not at
15 all.

16 MR. SEDGWICK: So that those who pay
17 in cash are, in effect, subsidizing the subscriber
18 who buys on credit.

19 MR. MACDONALD (H.A.): In effect, yes.

20 MR. SEDGWICK: So you have any figures
21 as to your credit losses, percentagewise what they are?
22 That is, if your total subscriptions are 100,000,
23 could you say about what percentage would not be paid?

24 MR. MACDONALD (H.A.): When we first
25 give an order we set up -- because money comes in by
26 mail from all over the country -- it's impossible to
27 get a commercial figure on that -- we have set up
28 a 25% loss ratio.

29 MR. SEDGWICK: That's very high, isn't
30 it?



1 MR. MACDONALD (H.A.): It is high.

2 MR. SEDGWICK: Of course a cooling
3 off period would have no relation at all to your
4 operation.

5 MR. MACDONALD (H.A.): We set that
6 up ourselves. When we receive an order a letter goes
7 out immediately to the prospective subscriber --
8 in our case a credit check too. We ask for a credit
9 reference to credit bureaux. And then we wait ten
10 days to get even a hint of the customer not liking
11 to pay for it -- that's what we are interested in,
12 whether or not they would pay it. If they write
13 and there is any hint at all the thing gets washed
14 out.

15 MR. SEDGWICK: I see. It like a
16 self-imposed cooling off period.

17 MR. MACDONALD (H.A.): That's right.

18 MR. LAWRENCE: You don't return the
19 deposit necessarily?

20 MR. MACDONALD (H.A.): You do in a
21 case like that. If they ordered a number of
22 magazines and the one of them closest to the deposit
23 will run for the term.

24 MR. SEDGWICK: I see. The subscription
25 price is less, isn't it, ordinarily than the newsdealer's
26 price?

27 MR. MACDONALD (H.A.): Yes. Magazines
28 are one of the few things that have two true prices.
29 .35¢ a copy or \$6.75 a year is the true price.

30 MR. SEDGWICK: Ordinarily speaking the



1 annual price by subscription is less? Less than
2 the single copy price at the newsstand?

3 MR. MACDONALD (H.A.): Yes.

4 MR. SEDGWICK: I guess that's all
5 I wanted to ask. There doesn't seem much to concern
6 us.

7 THE CHAIRMAN: Mr. Whicher? Mr.
8 Bukator?

9 MR. BUKATOR: I would like to follow
10 this a little further. When one becomes delinquent
11 in his payments and he has not sent in his coupon
12 for many and varied reasons; one may be that they are
13 not getting all of the books that they ordered. Is
14 it a practice of the company to contact them by
15 telephone, long distance, and reverse the charges on
16 that subscriber? You know it has happened.

17 MR. MACDONALD (H.A.): Well, it
18 probably has. We have a 25% no payment figure. We
19 discount largely the non-delivery factor. If we can
20 get one copy into the person's hands -- if I subscribe
21 and I get one copy and I don't move. I'm going to
22 guess automatically that they are ill or something.
23 If they get one of the magazines and say they are not
24 getting Fortune, say, we are getting Life but we are
25 not getting Fortune -- fine, we contact Fortune
26 immediately and we can do something and Fortune has to
27 service that subscriber because they want that subscriber.
28 But the general complaint that they are not getting
29 all their magazines and you have to send that information
30 off to Newsweek, or this and that. There isn't too much



1 we can do about it and we have to kind of discount
2 this as being an evasion for the purpose of not paying
3 the account. We send out a complaint form and
4 ask which magazines they are not getting, last copy
5 received, and so forth. If they give us that
6 information we can get the publishers and we and
7 all the rest of the companies -- we are all anxious
8 to service the subscriber if we can get the information
9 we need. Otherwise we don't do anything. It's as
10 simple as that.

11 MR. HESSIN: I'd like to comment
12 on that, if I may. A great majority of complaints
13 come through our office. If there is one particular
14 periodical which is not being delivered, when that
15 is corrected then the subscription period for that
16 will be extended so the whole number of issues reaches
17 the person, not go back and pick up the old ones, but
18 it is extended into the future when a complaint is
19 made and it is found that deliveries haven't been made.

20 MR. EDWARDS: Do Dawson's belong to
21 your association?

22 MR. HESSIN: Well, Dawson's are a
23 little different. They are known as a catalogue agency.
24 They leave catalogues in drugstores. They don't,
25 generally speaking, have agents.

26 MR. BUKATOR: I did not quite get
27 my series of questions lined up here. The high pressure
28 sales group, because they are these youngsters that
29 come to you and they don't take No for an answer
30 immediately, you know. They get into the home and they



1 persuaded that subscriber to buy a series of books --
2 four or five. Then what happens is because they don't
3 get all of their books and their coupon is due within
4 a month or 60 days after, they should send in their
5 cheque and the coupon -- they don't because their
6 books are not coming to them. The next step for you
7 is to try to collect your money. You do not know
8 about the fact that they are not getting their books.

9 Now you make a long distance phone
10 call to someone, let's say in Niagara Falls, which
11 costs maybe .90¢ to \$2.00 depending on how long you
12 talk to them. And this is sent to them -- they are
13 compelled to pay a collect call on something they
14 know nothing about. They should have enquired when
15 and when and then not accepted the call. The next
16 step is, after they have taken -- I want to be clear
17 on this point.

18 MR. MACDONALD(H.A.): Sometimes I
19 get a collect call, you know, and I'll say: "I don't
20 even know this person, operator". It turns out that
21 it's the wrong party. I always know who is calling
22 me before I accept a collect call.

23 MR. BUKATOR: Isn't that remarkable
24 because you're a business man. But a lot of these
25 women who have signed the subscription do not, and they
26 accept it. I can give you one instance, if you like.
27 And I think it is a most deplorable thing, to a
28 sickly old woman. She gets a phone call and is told
29 she must pay her bill. And she says she has not been
30 getting her books. "I have subscribed for so many and



1 I want my copies before I pay." And then she gets
2 a threatening letter from a lawyer that if she does
3 not pay they will sue her. And these are reputable
4 people. I do not believe any particular group or
5 any organization or anyone in business should be
6 treating our citizens that way.

7 MR. MACDONALD (H.A.): If any
8 subscriber is not getting a particular book, all the
9 companies are (rest inaudible). They set up a
10 complaint department and the publishers the same way,
11 with millions of circulation, they have to get these
12 complaints serviced. Everybody is working to get
13 these magazines to your person.

14 MR. BUKATOR: In the meantime the
15 threat comes for collection. The lady is informed by
16 letter that she must pay or else they are going to sue
17 her. This is the injustice of it. She then tells
18 you she has not been getting magazines 1, 2 and 3.
19 And then you say you will check with the publisher and
20 see that they extend this on into the two year period
21 that you are entitled to. But look at the anxiety and
22 discomfort you have made for that person. And if this
23 is multiplied by many then there is something radically
24 wrong with the set-up.

25 MR. HESSIN: May I ask if it's multi-
26 plied by many?

27 MR. BUKATOR: I'm asking you if this
28 is multiplied by many. You should know your own
29 business.

30 MR. HESSIN: I would say No. I have



1 occasion to handle such complaints and I would say
2 in those circumstances they are the isolated cases
3 and isolated cases occur everywhere. I also think I
4 can say in the majority of such cases, such people
5 have made no effort when a notice -- this is not
6 an immediate -- this call -- I only know of the odd
7 one I have ever heard of. We have been right on top
8 of it and told them we will not stand for this from
9 our members. But in most cases complaints have not
10 come in of non-receipt of periodicals. And another
11 thing that frequently turns up is the fact that
12 these people have not just stopped paying, they stopped
13 paying long before the periodicals stopped coming.
14 And there are so many ramifications of methods in which
15 complaints can be set up by people who wish to escape
16 payment of the thing that your case, I am convinced,
17 is an exception.

18 MR. MACDONALD (D.C.): Mr. Chairman,
19 may I pursue this? Are you, in effect, saying that
20 this is a common practice among members of Central
21 Registry to put in collect long distance calls in
22 regard to bills?

23 MR. HESSIN: To my knowledge it is
24 certainly not a common practice.

25 MR. MACDONALD (D.C.): Well, I have
26 been informed -- I think from a reliable source -- that
27 there are some companies in this field who run up
28 hundreds of dollars a month in long distance telephone
29 calls.

30 MR. HESSIN: You are speaking of the



1 company running up hundreds of dollars a month, but
2 I believe this gentleman --

3 MR. MACDONALD (D.C.): I'm talking
4 about companies that have sold subscriptions and there
5 are bills to be paid. They will call and they run
6 up hundreds of dollars a month in long distance
7 collect charges which they add to the bill.

8 MR. HESSIN: I have never seen a
9 charge added to a bill in all the complaints I have
10 had in many years. They perhaps run up hundreds of
11 dollars collecting accounts, but the question here
12 was that this was a collect charge, which is an
13 entirely different matter.

14 MR. MACDONALD (D.C.): And it is
15 added to the bill.

16 MR. SEDGWICK: Isn't this the
17 situation that if I do not send in my bill of \$2.00
18 a month you call me collect and I accept the charge
19 not knowing who it is, and find out that it's the
20 magazine salesman, which is entered by the Bell
21 Telephone Company to my bill. What Mr. Bukator and
22 Mr. MacDonald want to know, and I certainly would like
23 to know, is this a common practice for you to effect
24 or attempt to effect collection by foisting collect
25 calls on subscribers who are in arrears?

26 MR. HESSIN: No.

27 MR. SEDGWICK: Do any of your firms
28 do it? If they don't do it casually they must do it
29 by design and persistently.

30 MR. HESSIN: Not persistently. I have



1 had one or two cases in the last, I guess two years,
2 possibly where I have had this complaint come to
3 hand. And if there are any such cases I would be very
4 happy to know about them and to follow it up.

5 MR. LAUGHTON: Well, Mr. MacDonald
6 and Mr. Chairman, could we get the name of that
7 company?

8 MR. MACDONALD (D.C.): I shall see
9 whether or not it is possible. I might be able to.

10 MR. LAUGHTON: I've been in the
11 business 44 years and this is the first I have ever
12 heard of it.

13 MR. LAWRENCE: You refer to your
14 standards of practice. Is this a sort of code of
15 ethics for your subscription agencies?

16 MR. HESSIN: Yes. We work under the
17 by-laws of the Registry which set up a standards of
18 fair practice and ethical selling to stop fraudulent,
19 or to control, we can't stop it -- we can't stop
20 individuals sometimes -- but which are to control the
21 sales representatives of the member firms in their
22 selling practices.

23 MR. LAWRENCE: As I understand it then,
24 all of the members of your cooperative agency or your
25 association obey, or rather have their employees obey
26 these standards of practice?

27 MR. HESSIN: They are pledged to have
28 their employees obey this.

29 MR. LAWRENCE: All right. Now you
30 receive sometimes complaints -- I don't know why you



1 would because the average person wouldn't know very
2 much about you -- but let's say each complaint you
3 would receive, I assume that the agency involved would
4 receive a great many more. I mean, if some kid came
5 in to sell me a magazine tonight at my home and
6 there was something wrong with the selling procedure
7 or delivery or something, I wouldn't complain to you,
8 would I? I wouldn't know anything about you. I
9 would complain to the agency that that child apparently
10 represented.

11 MR. HESSIN: I think you are asking
12 me to guess on that, Mr. Lawrence, because relatively
13 I would say the basic complaints, where problems arise,
14 comes to us, or at least certainly we get a good
15 percentage of them, over half of them. Now, complaints
16 which are mere misunderstandings as the fact that the
17 boy wrote down one year and it was two and I paid for
18 two, that can be very readily settled directly with
19 the agency with whom the order was placed, you see.

20 MR. LAWRENCE: Well, you get 50% of
21 the complaints of your member agencies, you think?

22 MR. HESSIN: I'm guessing.

23 MR. LAWRENCE: Well what do you do
24 when you have a complaint? Have you thrown out
25 agencies?

26 MR. HESSIN: Yes, yes we have.

27 MR. LAWRENCE: Many?

28 MR. HESSIN: No, thank goodness.

29 MR. LAWRENCE: And if you have a
30 complaint, just exactly what do you -- it looks like



1 there is something wrong as far as the agent or
2 subscriber firm -- it's not the subscriber's fault --

3 MR. HESSIN: Complaints, as you well
4 realize can fall into many categories. Now, if this
5 is an easily adjustable complaint which is not what
6 we term a major complaint, then we immediately contact
7 our member agency and have them correct the matter,
8 whether it is an extension of the current subscription
9 because issues were missed or something of this
10 nature. If complaints are of a more serious nature
11 and have to do with what we would consider reprehensible
12 behaviour, then we take action against the member
13 firm, on account of that representative.

14 MR. LAWRENCE: What advantage is it
15 to an agency to belong to your Registry?

16 MR. HESSIN: All their representatives
17 are registered with Canadian Central Registry, they
18 have to be registered within a period of seven days.
19 When they register they have to sign a full registration
20 card giving us all the details on themselves, factual
21 information about themselves, where they live, their
22 relations and so on, and then they are issued a 60-day
23 identification licence which they all carry, as I
24 mentioned in my letter, to identify themselves. And
25 this not only identifies them but shows that they
26 are bonded through the Registry to guarantee the
27 fulfillment of the subscriptions which have been taken.

28 MR. LAWRENCE: I see.

29 MR. REILLY: I just want to find out
30 one point. Is that licence given to the individual or



1 to his company?

2 MR. HESSIN: It's given to the
3 company who, in turn, endorse it or sign it and give
4 it to the agent who carries it on his person.

5 MR. REILLY: You issue several of
6 them to one company, who each -- for each individual
7 salesman?

8 MR. HESSIN: No. We will not issue
9 more than one licence per salesman.

10 MR. LAWRENCE: What are some of
11 rules and regulations pertaining to the licence? For
12 instance, do you licence anyone who is a minor?

13 MR. HESSIN: That is not our business,
14 but we won't. I mean, if those come in --

15 MR. LAWRENCE: Why isn't it your
16 business?

17 MR. HESSIN: When I say we won't
18 licence a minor -- we can't stop a person hiring a
19 minor, can we? I mean --

20 MR. LAWRENCE: No, I got the wrong
21 idea and I apologize to you. But as I understand it
22 you are here as more or less the vocal image of the
23 reputable sales people who sell subscriptions door-to-
24 door.

25 MR. HESSIN: Yes.

26 MR. LAWRENCE: Not only door-to-door
27 but from your places of business. Presumably your
28 whole purpose is to uplift the public image of the
29 door-to-door magazine salesman. That is your purpose,
30 is it not?



1 MR. HESSIN: Right.

2 MR. LAWRENCE: All right then. You
3 have certain rules and regulations and presumably
4 specifications which you must have to grant a licence
5 to these people, otherwise the whole thing is a fraud,
6 right?

7 Now , if you say it is none
8 of your business to --

9 MR. HESSIN: I say --now, when these
10 registrations come in -- you are talking about a person
11 under 16 or 15 years of age, right?

12 MR. LAWRENCE: Well, let's say under
13 21. Do you give licences to anybody under 21? Or
14 do your agencies allow door-to-door sales by people
15 under 21?

16 MR. HESSIN: Excuse me, Mr. Lawrence.

17 MR. LAUGHTON: Would you prefer to
18 refer that question to me?

19 MR. HESSIN: Yes, sure.

20 MR. LAUGHTON: Our advice to our
21 solicitors is that we may not refuse registrations in
22 Central Registry to any individual who requests it
23 through his company. Even on a matter of past record.
24 That is prohibited under the sanctions of the right
25 of a man to work. In other words, because 90% of these
26 people are registered with us, because the RCMP --
27 we are a policing organization. The RCMP works closely
28 with us, the police authorities have copies of our
29 licences, they are authorized to lift any of these
30 licences given to anybody in their jurisdiction. Better



1 Business Bureaux watch for these licences, Chambers
2 of Commerce watch for them and our people are required
3 to report to the Province of Ontario and other
4 Provinces and Board of Trade and Chambers of Commerce
5 before they start to work. In other words, it is
6 practically impossible for a man to get a job selling
7 magazines house-to-house or office-to-office unless
8 he is a member of the Registry, the Canadian Central
9 Registry. Therefore, in effect, if we were to refuse
10 to grant him a licence we are preventing that man
11 from earning a living. I am advised that we can't
12 do this.

13 Once that man is registered,
14 and we accept his application for registration on
15 the part of our members, then he commits an offence
16 we can take action to throw him out and take his
17 registration away from him because he has done it
18 after he came in. The same thing -- I organized
19 this registration 15 years ago and have been Chairman
20 of it ever since, because we recognized the terrible
21 problems in the selling business. When I started
22 it the Provincial Board of Directors wanted to excuse
23 certain people because they had had bad records. I
24 insisted No, they must come in, we must take them in,
25 because you can't control a business unless you bring
26 everybody in and try and tell them --

27 MR. MACDONALD (D.C.): Is everybody
28 in now?

29 MR. LAUGHTON: 90% of sales people
30 are employed by members of the Registry.



1 MR. MACDONALD (D.C.): 10% are still
2 out?

3 MR. LAUGHTON: Yes. I have just
4 returned from a month's trip around and through the
5 western provinces, from Winnipeg west, interviewing
6 Deputy Ministers and Municipal Affairs and so on,
7 Better Business Bureaux, RCMP -- quite frankly I
8 was surprised and terrifically gratified with the
9 reports I got throughout the list of the effectiveness
10 of CCR, our Registry. If I may digress for a moment
11 and discuss the previous question of government
12 legislation...We are in a position, the magazine
13 division is in a position, and I as Chairman, to speak
14 for them as Chairman of their policy committee.

15 We have before the Select
16 Committee on Municipal Law and have had before them
17 for the past two years -- as Mr. Reilly will well recall
18 -- a brief asking for provincial legislation of our
19 industry in this Province. And I introduced the Deputy
20 Ministers in all four western provinces on this trip
21 and urged them to do something along that line.

22 Now the Saskatchewan Act, as
23 Mr. Sedgwick may have brought before the Committee, if
24 not, I would suggest if you are interested in government
25 licensing of salespeople, to get a copy of the Commercial
26 Agents Act. It's a model piece of legislation, in my
27 estimation.

28 But it goes one step further,
29 not only is it a provincial Act but the Act also
30 specifies the amount by which this licence must be



1 validated by the municipality, according to its
2 size.

3 Now Mr. Douglas, his government
4 had the guts to tell the municipalities we are going
5 to put this licensing in, but you can't get away
6 from this business of excesses or the licensing doesn't
7 accomplish anything anyway. And they must now validate
8 it running from \$2.00 up to \$25.00, according to the
9 municipality in which the licence is validated.

10 The Chief Inspector of Licences
11 in two cities in Saskatchewan say they are getting far
12 more revenue, as far as revenue is concerned, than
13 they ever got before because nobody is trying to evade
14 licences. On top of that this provincial Act is enforced
15 not only by the local police but by the provincial
16 police, and I gather that you know, gentlemen, that the
17 provincial police in most provinces couldn't care less
18 about municipal enforcement.

19 I don't know about this
20 Select Committee on Municipal Law, our brief, but
21 maybe they are going to bring something down. But
22 if you are interested -- I haven't got a copy with me --
23 I think there are two or three in existence.

24 MR. SEDGWICK: Does it licence every
25 type of door-to-door salesman?

26 MR. LAUGHTON: Saskatchewan? Yes.
27 As a matter of fact the magazine people there are not
28 on to it because they have always been given special
29 consideration out there.

30 I think I persuaded the Department



1 there to put us in at the next sitting of the province.
2 We want it. It's going to help us.

3 The magazine industry, gentle-
4 men, wants control of circulation and we will back
5 every effort towards reasonable control and fight to
6 the death any prohibitive, discriminatory legislation.
7 We know there are bad actors.

8 In Alberta, the Chief
9 Provincial Licensing Inspector, Mr. Armstrong, said
10 that the whole trouble there was caused by four men
11 passing through the province. He didn't give them
12 names, but I think I know three of them. There isn't
13 anything they can do about it. There is a hard core
14 of people that we are trying to get rid of. And we
15 do take action. We fine people \$200.00, \$200.00 --
16 our last session was in October and we had 25
17 infractions charged against members. The penalty
18 accrues not to the sales person, it accrues to the
19 member, but in effect the penalty accrues because the
20 only way that the member can get himself relieved is
21 to fire the guy. We suspended a \$100.00 assessment
22 against a member for that particular individual, but
23 nobody can hire that man unless he pays the suspended
24 assessment and a lot of members don't hire men with
25 bad records. It doesn't pay. They get stuck with
26 two or three assessments. We have them in this
27 business, bad characters; you have done it with your
28 own sales group. You may have sold yourself to Courts
29 of Law or a bedside manner or what have you, but
30 obviously you wouldn't be here today if you hadn't sold



1 yourself to your constituents.

2 MR. LAWRENCE: Nobody is holding
3 out to us what the constituent or the subscriber may
4 believe to be a licence in regard to any of us, I
5 don't think. God help them if they do.

6 I don't see that -- you make
7 no screen of these agents that your own members --

8 MR. LAUGHTON: The member does. That's
9 up to him. The member here is in contact with the
10 Registry. He undertakes to do certain things and
11 a penalty accrues to him if he doesn't do it, and
12 he deposits \$1,000.00 in cash with the Registry to
13 guarantee it. But we cannot go back and check
14 these individuals.

15 MR. MACDONALD (D.C.): I appreciate
16 this, but you are giving a licence to the agent
17 and therefore it is not up to the member --

18 MR. LAUGHTON: The member has to take
19 the responsibility for that man.

20 MR. MACDONALD (D.C.): Surely there
21 would be very few bad actors taken by an agency if
22 he knows he is going to be faced with a penalty
23 immediately.

24 MR. HESSIN: There are very few. As
25 a matter of fact, this is practically nil. I think
26 Mr. Lawrence's question is to the effect that -- or
27 trying to separate these out -- it depends whether a
28 man has been hired as a complete newcomer or whether
29 he is being rehired as a person who has been in the
30 field. Of course if he is a complete newcomer then the



1 member firms, outside of making the best check they
2 can on the man, have no better way of knowing you, or
3 I, or any big company, whether this man -- the member
4 firm will make the normal check outs on a new
5 employee or a new sales representative -- but things
6 may not turn out. However, if that man is taken in
7 and then, in the magazine field, commits one of these
8 rulings under our standards of fair practice, then
9 immediately charges will be brought against the
10 member firm.

11 MR. LAUGHTON: From the agency
12 point of view, we can hire a man who has been a bad
13 actor with other companies -- he comes to us and
14 the first thing you know we have got a problem.
15 At the present time, as soon as he comes to register
16 and if he has been with some other firm then he has
17 a record. But if he hasn't any record then we are just
18 informed that he -- well, we are not informed at all
19 unless he has been connected with somebody else. If
20 there is anything against him we are informed
21 immediately. Then we have to decide to either hire
22 him or not hire him. If he has been before the Board
23 with a charge against him and the fine is outstanding,
24 then we wouldn't hire him. But we are warned.

25 MR. LAWRENCE: I appreciate this. I
26 think the idea of your organization is fine. All I
27 am trying to find out is what are your standards?
28 You do take people under 21. Do you allow your agencies
29 to take people under 16?

30 MR. HESSIN: No. We always record



1 this back.

2 MR. LAWRENCE: But they know they
3 can't take them under 16. All I am asking you to do
4 is to communicate to us what your standards are.
5 Do you allow your members to take people with a
6 criminal record?

7 MR. HESSIN: This depends on whether
8 we have a record of the criminal -- we have a record
9 of the criminal record. I don't know whether you have
10 ever tried to get a criminal record on someone --

11 MR. LAWRENCE: The member agency,
12 does he -- do you not ask if he has had to do some
13 checking on this man?

14 MR. HESSIN: I doubt it, why?

15 MR. LAWRENCE: You have an opportunity
16 here to spread gospel according to the Canadian Central
17 Registry and I can't understand your reticence.

18 MR. LAUGHTON: There is no reticence
19 here. We can't do certain things and certain things
20 we can do. These are the things we can do, under
21 legal advice: The members themselves and their
22 respective subscription representatives shall observe
23 the following terms of fair practice: No member or its
24 representative shall make any false or misleading
25 statements, remarks or advertisements in or in
26 connection with any of the following: subscription
27 sales, adjustments on such sales, interviews with
28 potential subscribers, interviews with sales
29 representatives. And number two: No member or its
30 representative shall use a false or misleading canvas



1 and no member or its representative shall authorize
2 anything other than apparent physical handicap other
3 than for the local area that he or she is selling.
4 No member or its representative shall use any violent
5 or threatening movements or gestures while making or
6 attempting to make sales of subscriptions. No member
7 or its representative shall use any insulting, rude
8 or abusive movements, gestures or words in the
9 course of making or attempting to make a sale of
10 subscriptions. No member or its representative shall
11 persist in failing to report his sales orders.

12 The conviction of any member
13 or any of its representatives in any Court in Canada
14 of criminal jurisdiction for an offence having anything
15 related to physical violence to a person or a theft
16 in its several forms or fraud or a semblance of fraud
17 in which there is ascertainable connection of the
18 actions for which he was convicted with any course
19 followed by him in the pursuit of sales subscriptions --
20 (we had to define that because what he does to some
21 other citizen when he wasn't selling magazines, we
22 couldn't touch him on that).

23 MR. LAWRENCE: The answer is then it
24 is an offence, under your by-laws, to have a criminal
25 record and therefore you can expell a member for
26 employing people with criminal records, right?

27 MR. LAUGHTON: But we can't -- a man
28 with a criminal record for which he has served his
29 term -- we can't refuse an original registration to him
30 if he is recommended by a member. That's our best legal



1 advice.

2 MR. LAWRENCE: Then the answer is
3 if there is any criminal monkey business again --
4 if I can use that term -- in the sale of subscriptions
5 or any past record in the sale of subscriptions, as
6 far as the criminal code is concerned, you won't allow
7 it, right?

8 MR. LAUGHTON: I would have to ask
9 about that.

10 MR. LAWRENCE: Well, the idea is if
11 somebody has been convicted of theft in regard to the
12 sale of subscriptions in the past, then you don't
13 allow them to be employees or sales representatives
14 of your members. Isn't that right?

15 MR. LAUGHTON: Here is something
16 that may help. A manager may refuse an issue or a
17 re-issue of a licence to a subscription representative
18 who has been convicted by any Court of criminal
19 jurisdiction in or outside of Canada for an offence
20 involving physical violence to person or property, or
21 theft in the general sense of the word, or fraud in the
22 general sense of the word. An appeal may be taken
23 from that refusal to the Board. Now we put that in --
24 I don't know yet whether we have tried to enforce
25 it because our solicitors tell us we can't. But it
26 is our right to do it.

27 MR. LAWRENCE: All I am trying to do
28 is elicit some information from you. You do have
29 these standards and if somewhere along the line the
30 agency has to screen these people and keep up on them,



1 otherwise they are in danger of losing their rights
2 under your by-laws.

3 MR. LAUGHTON: That's right.

4 MR. LAWRENCE: That's all I'm trying
5 to get at.

6 MR. LAUGHTON: They have got to commit
7 the crime while they are registered with us.

8 THE CHAIRMAN: You are obligated to
9 take them on before that.

10 MR. LAUGHTON: And these standards
11 do pertain right down the line as far as gimmick
12 contests are concerned and forceful entry of front
13 doors.

14 A genuine contest where prizes
15 are offered is allowed. They are allowed to mention
16 that in their sales presentation. I have never felt
17 there is anything wrong with that so long as they sold
18 the magazines.

19 MR. LAWRENCE: Well, you could have
20 some fights with this Committee.

21 MR. LAUGHTON: I, for instance, for
22 many years developed a student organization at the
23 University of Toronto and Western and McGill. We hired
24 men back in November for student unions and they did
25 a splendid job down there. A number of men were able to
26 put themselves right through post medical training,
27 selling magazines. There is nothing that I can see of
28 any harm in mentioning somewhere in your sales
29 presentation that you attend the University of Toronto
30 during the winter.



1 MR. MACDONALD (D.C.): Are you, in
2 effect, saying that when the magazines salesman comes
3 to the door and says that he is going to get a trip
4 to New York or he is going to get a trip to London
5 or he is working his way through college, that these
6 are all genuine contests?

7 MR. LAUGHTON: Did I say they were
8 genuine?

9 MR. MACDONALD (D.C.): Yes.

10 MR. LAUGHTON: No.

11 MR. MACDONALD (D.C.): If they have
12 a licence with Central Registry are they then valid
13 contests?

14 MR. MACDONALD (H.A.): So long as we
15 know it, but if we find out it isn't with anybody
16 doing it, out they go. It's a violation of our standards
17 of practice.

18 MR. LAWRENCE: You cover 90% of the
19 sales people in this Province. Where do these
20 insulting young thugs that come to my door twice a
21 week come from, who are selling subscriptions?

22 MR. LAUGHTON: Whereabouts do you live?

23 MR. LAWRENCE: Well, in Rosedale --
24 there is a good two, I would say, per week, on the
25 average. They are quite insulting when you try to
26 tell them you are really not interested in magazines,
27 you have got so many. If you cover 90% of the
28 waterfront, are these the remaining 10%?

29 MR. LAUGHTON: You are certainly
30 getting bad treatment from --



1 MR. MACDONALD (D.A.): Well, you
2 can take my riding, because I would say that I get
3 more complaints in this particular field than any
4 other single one in door-to-door.

5 MR. LAWRENCE: My information is that
6 the suburban areas are even worse than the central
7 areas.

8 MR. LAUGHTON: By the way, if we could
9 get from you gentlemen, where do they go?

10 MR. MACDONALD: Well, down the street.

11 MR. LAUGHTON: Well, do you go to
12 the Better Business Bureau?

13 MR. LAWRENCE: No.

14 MR. LAUGHTON: We are registered with
15 their clearing house. Give the industry a chance.

16 MR. LAWRENCE: You say we should let
17 you know that?

18 MR. LAUGHTON: I think you should give
19 us an opportunity of ferreting these men out and
20 smoking them out.

21 MR. LAWRENCE: I go with that.

22 MR. MACDONALD (D.C.): Let me go back
23 if I may and tie in with this, because it seems to
24 me -- Mr. MacDonald stated that the average money
25 that is paid is 70%.

26 MR. MACDONALD (H.A.): I beg your
27 pardon?

28 MR. MACDONALD (D.C.): The average
29 is about 70% of the subscription money that goes back
30 to the publisher?



1 MR. MACDONALD (H.A.): Thirty percent.

2 MR. MACDONALD (D.C.): Oh, I'm sorry,
3 30%, right. The commission is, in effect, 70%. Well
4 this conforms with my experience because I have
5 been personally aware of and involved with teams where
6 your new members of the team get a third, or 35 or 40%.
7 The Captain of the team was getting 90%.

8 MR. MACDONALD (H.A.): This is cash.

9 MR. MACDONALD (D.C.): Okay, I'm
10 talking about cash sales.

11 MR. MACDONALD (H.A.): If you go
12 to a publisher as a cash company organization you
13 get a different rate than you do as a credit organi-
14 zation.

15 MR. MACDONALD (D.C.): I am not
16 talking about the budgeting now. Most of your
17 door-to-door selling, I think, is cash. It is not,
18 at least in my experience -- I've never heard of
19 anybody coming to my door and try to arrange a
20 budget. He's looking for the cash. And I am deeply
21 puzzled as to (a) if you are enforcing your standards
22 why there is such widespread high pressure and serious
23 complaints or how in heaven's name those complaints
24 could, in the alternative, be restricted to the 10%.
25 And quite finally -- and again I speak from some
26 personal knowledge of this -- I think you have got a
27 set-up for the high pressure salesman. If you've got
28 a keen-- a man can build himself up, until he is
29 getting .90¢ of the dollar, of the subscription he
30 sells. He may be sub-commissioning it down to other



1 men on his team, 35 or 40 or 60 or 75%, depending on
2 how long they have been working on his team. You
3 have got a set-up for the boys going in and putting
4 on very high pressure.

5 MR. MACDONALD (H.A.): That commission
6 is not a commission because it covers all expenses,
7 transportation, etc. They get nothing on top of that.
8 This isn't all money in their pocket. They have
9 got to absorb their losses -- the man on the team you
10 are talking about -- they have got to absorb the
11 losses, as a rule, on people they employ.

12 MR. MACDONALD (D.C.): What losses
13 are they going to absorb. I am talking about cash
14 sales, not budgeting at all. On the cash sales there
15 are no losses.

16 MR. MACDONALD (H.A.): Well there
17 are men who disappear with their orders --

18 MR. MACDONALD (D.C.): Well -- if the
19 field is so caught with racketeers that you have a
20 serious problem of people running off with their
21 sales, then certainly you have got to go back and
22 look at your licensing practices.

23 MR. MACDONALD (H.A.): I didn't say
24 it was prevalent. I said when he gets his commission
25 he is on his own -- and as circulation director of the
26 company, as I was for many years -- I would have been
27 damn happy to get 30%, because you didn't get it.

28 MR. MACDONALD (D.C.): I happen to
29 know what I'm talking about. The man who is getting
30 the 90% can pull down \$150 and \$200 a day. I've seen



1 him do it. And then he can go sit in the beer parlour
2 for a week until he blows his money. Then he can
3 start all over again. I think you have got a set-up
4 for a high pressure salesman. I just find it
5 difficult -- I'm glad to hear that the Central
6 Registry is trying to do a job -- but I can't equate
7 your contention that you are seriously doing a job
8 with the widespread prevalence of door-to-door high
9 pressure salesmen.

10 MR. LAUGHTON: May I say something?
11 I have been getting now for 10 years every reference
12 in daily, weekly and periodical press in Canada that
13 has anything to do with magazine selling and whether
14 it is good or bad, and I don't average three items
15 a week from the whole Dominion, and that's every
16 weekly newspaper, every daily newspaper. I had a
17 recent case here that I showed these gentlemen at
18 the last Board meeting. In a little weekly newspaper
19 was a story -- I don't know, it wasn't about chimneys,
20 it was about magazines -- and by golly, two weeks
21 later I get another weekly newspaper and the only
22 thing that was changed was the locale. Do you know
23 I got that scattered from British Columbia through
24 to Ontario in four weekly newspapers in the course
25 of two months. It was the same story, word for word.

26 MR. MACDONALD (D.C.): Are you
27 suggesting that it didn't happen in the others, they
28 are just reproducing it and changing the name?

29 MR. LAUGHTON: I'm satisfied. Because
30 we write, Mr. Hessin writes, to every editor as soon as



1 one of these items appears and asks them to tell us
2 something, to please send us the name of the
3 complainant so an adjustment can be made. How often
4 is it done? One in a thousand? We never hear anything
5 about it. I'm not suggesting there are no complaints --
6 please don't misunderstand me -- but I am saying that
7 the majority of complaints are not. But please tell
8 us about them. We are not pure, but I do know that
9 the business is cleaned up and cleaned up to the
10 extent -- I don't suppose it ever will be -- I'm just
11 being a bit of a damned fool, I think, because I was
12 up for retirement two years ago and I've stayed on
13 for another two years and I retired in May of this year,
14 but I'm staying on the Board of Central Registry and
15 working on it because I'd like to get that up to 95%.

16 MR. MACDONALD (H.A.): May I say
17 this to Mr. MacDonald, because you were in the business
18 some years ago. I don't think that you would have
19 heard of a budget at that time, but now cash is
20 practically, not fully, but it's very small. Most of
21 the business is budget and most of the complaints
22 at the Registry are budget complaints now. There are
23 very, very few cash organizations and most of the
24 problems are coming from four or five people. I know
25 in our home -- we live in Westchester -- my wife is
26 magazine conscious. I said: "Tell me when somebody
27 calls". We haven't had a caller at our house for
28 quite a few years.

29 MR. LAWRENCE: Well, you're a marked
30 man. (Laughter)



1 MR. MACDONALD (D.C.): There are few
2 groups that have better insight intelligence than
3 men selling magazines. I have seen them set up
4 crews and go into a lumber camp in New Brunswick with
5 a group of select looking blondes and they would
6 sell \$15.00 worth of magazines to every lumberjack
7 on the place. This was 20 years ago.

8 MR. MACDONALD (H.A.): We had a man
9 speak about that at a meeting about three or four
10 years ago.

11 MR. LAUGHTON: But it doesn't happen
12 now.

13 MR. MACDONALD (H.A.): No. He said
14 that this is not like the old days. He must have gone
15 back 20 years to get this.

16 MR. LAUGHTON: He said he was going
17 back.

18 MR. MACDONALD (D.C.): What gets me
19 is the student who comes around to the door and is
20 working his way through college and he will arrive
21 in November when obviously he is not thinking of college
22 at all.

23 MR. LAUGHTON: I don't know of any
24 valid student operation in effect in Canada. If anybody
25 says they are working their way through college, that's
26 just a line.

27 MR. LAWRENCE: You are an association
28 of publishers and subscription agencies. What's the
29 percentage as far as payment of the budget is concerned
30 of your group? How much do the publishers contribute



1 and how much do the agencies?

2 MR. LAUGHTON: Our publishers duty
3 -- some publishers pay twice. They pay as the
4 publisher, they pay on all subscriptions that come to
5 them from field staff. And they also pay on the
6 amount that their own salesmen produce. The agency
7 pays on the volume which they sell.

8 MR. HESSIN: The publishers of some
9 agencies, without sales forces, they only pay one
10 amount.

11 MR. LAWRENCE: And you feel you have
12 to have the publishers themselves in because they
13 do so much direct selling themselves. Is that true?

14 MR. MACDONALD (H.A.): The publishers
15 are -- this is so important that it should be cleared
16 up. The publishers give it the strength. If the
17 publisher weren't in there I doubt very much if the
18 agencies would have the strength. But back of it
19 all the publishers get an agency and if this agency
20 doesn't toe the line it isn't long before the publishers
21 are cutting them off.

22 THE CHAIRMAN: Would it be fair to
23 say it is a publishers nominated organization?

24 MR. MACDONALD (H.A.): No. There are
25 three publishers on the Board and everything pretty
26 well has to be unanimous and it usually is. There
27 isn't much conflict except on technicalities. There
28 is great deal of unanimity on the Board.

29 MR. LAUGHTON: When I set up the
30 composition of the Board equalling three publishers and



1 three agencies, I had quite a time selling that to
2 the publishers. They thought the publishers should
3 control it. But I would say that only once in 15
4 years have we had a decision made other than by a
5 unanimous vote. Only once.

6 MR. MACDONALD (D.C.): Mr. Chairman,
7 may I ask Mr. Hessin, is the Family Publication Service
8 of Canada Limited a member of your agency?

9 MR. HESSIN: Yes, they are.

10 MR. MACDONALD: Are they coming before
11 us?

12 THE CHAIRMAN: Yes. Anything else?

13 MR. MACDONALD (D.C.): I wonder if
14 you could tell us how the breakdown takes place between
15 the orders taken and the customer getting his
16 publication? Why does this breakdown happen quite
17 frequently? The breakdown, that is, in the order
18 getting to the publisher?

19 MR. MACDONALD(H.A.): Well, I'm not
20 really sure that it is, Mr. MacDonald.

21 MR. MACDONALD:(D.C.): Well, I thought
22 we heard earlier some people explaining that the
23 reason they don't pay is because they don't get their
24 subscriptions. Why is that? What causes the
25 breakdown. There must be a breakdown somewhere,
26 otherwise they would get the magazines they ordered.

27 MR. HESSIN: I can only speak for
28 myself, for my own organization. We verify our orders,
29 to make sure the customer understand what she is
30 buying and if she feels that she can afford it. That is



1 the basis of our verification. And we found that the
2 people that were reasonably well fixed you see got
3 all their magazines, no problems. The people that
4 had financial problems didn't get the magazines and
5 therefore we weren't being paid. As a result of
6 that we have upped our departments and we do some
7 arbitrary scales so we know what kind of people they
8 are. They must subscribe to the telephone. This is
9 the standard of the non-transient and being reasonably
10 permanent and we also get more information on them.
11 Our complaints of non-delivery have been almost nil.
12 But anybody who does complain to us, complains about
13 us to the publisher as many as two or three times --
14 are the one people that -- we (rest inaudible).

15 THE CHAIRMAN: Mr. Edwards?

16 MR. EDWARDS: The type of contract
17 that most of your members use, would it be a receipt
18 for a contract or would it be a conditional sale or
19 time payment type of contract, does the subscriber
20 sign it as well as the salesman? Generally what is
21 the type?

22 MR. LAUGHTON: Well, I have a copy
23 of our contract. There is a place for the magazines
24 and the terms. Please enter immediately my subscription
25 for the above magazines for the period shown. I agree
26 to pay for these subscriptions as follows. So much
27 now, mail so much monthly for the number of months until
28 paid, and nothing for the remaining period. So if it
29 is a four year subscription it will be 24 months that
30 they won't pay. Payments to be mailed by the 10th of



1 each month. Read carefully before signing. This
2 contract is not subject to change or cancellation.
3 Subscriptions are purchased in advance for the full
4 term. No other agreements recognized. Signature.
5 Salesman is not permitted to sign a subscriber's
6 name. Then we have a second part here at the bottom.
7 I have read and understood the above order and then
8 the signature is there. And then on the back we get
9 credit information, closest relative, employment,
10 age, if under 21. Rent or own your home. We have
11 fairly good credit information.

12 When this comes into the office
13 we simply put it to one side. We acknowledge it
14 and we say thank you for your order for this, this and
15 this. Please write us before 10 days (and we put
16 the date in there) if there is anything you don't
17 understand.

18 MR. MACDONALD (D.C.): If there was
19 a law passed to put in a four day waiting period --

20 MR. LAUGHTON: It wouldn't make any
21 difference to us, not at all.

22 MR. MACDONALD (D.C.): I was wondering.
23 I couldn't see why it would make any difference.

24 MR. LAUGHTON: It wouldn't make any
25 difference to us. Because we take that length of time
26 to make up our minds.

27 MR. BUKATOR: You don't process this
28 for ten days while you are checking the credit anyway.
29 So that if perchance the salesman, the agent who you
30 would like to make subsequently a bona fide agent, but



1 isn't a good living agent, and is not acting -- he
2 is high pressuring a person, -- they have a chance
3 to back out? You don't want to get stuck with
4 that bill anyway?

5 MR. MACDONALD (H.A.): That's right.

6 MR. LAUGHTON: I brought up the
7 point, Mr. Chairman, particularly with the Better
8 Business Bureaux and Chambers of Commerce on this
9 very question because our members, as Mr. Hessin
10 knows, have been attempting for about a year or
11 more to have some sort of extension of this policy
12 that you are now talking about. But out there they --
13 I didn't hear about this four days until I got back.
14 It came up while I was away out west -- but two days
15 seems to them sufficient, because why have to wait
16 four days? Because so often they find the woman
17 gets involved with a high pressure salesman and then
18 when her husband comes home at night he wants to
19 break her neck and back. I sympathize with the woman.
20 She has to come up with all sorts of excuses. But
21 they said two days, they thought, should be sufficient
22 for a housewife to find out whether or not her husband
23 would still let her buy the magazine. Maybe she
24 needs four days, but I think for a general thing maybe
25 it needs a longer time.

26 Just one more thing -- I know
27 you gentlemen want to get away -- one of the Deputy
28 Ministers, in regard to this provincial licensing. He
29 said -- this was the Deputy Minister of Municipal
30 Affairs -- he said I would dislike any legislation which



1 is punitive and operates to the disadvantage of the
2 honest salesman in order to catch a few. I know
3 that you of the Legislature know far more than I,
4 but --

5 MR. LAWRENCE: If you hear a Deputy
6 around here saying anything like that would you let
7 us know? (Laughter).

8 MR. LAUGHTON: Well this man said
9 that he wants to make sure that it is not penalizing
10 the few to catch the -- I mean the many, to catch
11 the few. He's the one I asked what his definition
12 of high pressure was and he said: "I don't know". And
13 I said: "I gave up trying to find one a long time
14 ago". My answer, when I am asked that question, is: Is it
15 true? What I -- I know a salesman who sells insurance,
16 maybe soft sell or maybe hard sell. What I would
17 consider high pressure, somebody else might not.

18 MR. KERR: I'd like to get back to
19 my original question. Mr. MacDonald, looking at this,
20 will you leave a copy of this with the subscriber?

21 MR. MACDONALD (H.A.): Always.

22 MR. KERR: Do you have the subscriber
23 sign twice at the same time?

24 MR. MACDONALD (H.A.): Yes.

25 MR. KERR: The verification and the
26 acceptance, you might say? Now you have a penalty
27 clause here if the payments are made after the 10th
28 day, is that it?

29 MR. MACDONALD (H.A.): If his payment
30 is due on the first of the month. And if it is



1 necessary to send out a letter to remind him, you
2 give him coupons and envelopes and it is simpler for
3 us to simply remind him, then he knows it will cost
4 him .25¢. In other words, it really works -- most
5 of them pay their bills to avoid the .25¢. Usually
6 if they send it in afterwards we are happy to get
7 it anyway.

8 MR. KERR: As far as you are concerned,
9 if it is a subscription for a year the cost to the
10 subscriber wouldn't be any more than say the 12 copies
11 of -- say it was a monthly magazine --

12 MR. MACDONALD (H.A.): Oh, not that.

13 MR. KERR: Now if there is any
14 complaint they write to the address at the top here.

15 MR. MACDONALD (H.A.): That's right.
16 That is our record office.

17 MR. KERR: Now, is the salesman an
18 employee of that firm shown at the top?

19 MR. MACDONALD (H.A.): Well, yes.
20 You come under this heading of independent agent
21 again because if you have a man in the field you have
22 no idea of whether he is working or whether he isn't.
23 In the sense of an employee that you control, you don't.

24 MR. KERR: The guy's employed by the
25 distributor, is that the idea?

26 MR. MACDONALD (H.A.): No. He's an
27 agent but you don't control him hour by hour the way
28 you do an employee. But he's our agent.

29 MR. KERR: He's an agent with the
30 Dominion Reader Service?



1 MR. MACDONALD (H.A.): That's right.

2 MR. KERR: I notice that you have a
3 note to the distributor. Your note will not be
4 acceptable for purchase. What do you mean by your
5 note?

6 MR. MACDONALD (H.A.): It's rather
7 curious how this came about. I couldn't really answer
8 that. We picked up this information from somebody
9 else's contract. It seemed to be the type of thing
10 we wanted so we put it in there.

11 MR. KERR: I think you are referring
12 to a negotiable note here.

13 MR. MACDONALD (H.A.): Well, it
14 doesn't have anything --

15 MR. KERR: Your face is red.

16 MR. MACDONALD (H.A.): Okay. It's
17 not used, in any event.

18 THE CHAIRMAN: Mr. Edwards? Mr. Rowe?

19 MR. ROWE: I have one question. You
20 mentioned you don't have any student organizations.
21 When did they go? I think it's still a practice in
22 many of the high schools, they may be taken out and the
23 student council is the body.

24 MR. MACDONALD (H.A.): This is a second
25 field, like the school plan, often organized directly
26 from the publishers and this, the students sell a
27 certain number of subscriptions either to make money
28 or they get something to help them along in school.
29 But it has nothing to do with agencies, it doesn't
30 come through agencies. It's direct from the publisher.



1 MR. LAUGHTON: Actually, as far as I
2 have heard, in a case that came up. The student doesn't
3 make any money. It's a throwback to the school for
4 gym equipment or instruments for the band or something
5 of that nature.

6 MR. HESSIN: I think maybe there is
7 an incentive in that the pupil, the girl or boy,
8 who is selling them gets some sort of prize.

9 MR. KERR: Do you frown on that
10 practice -- is it legal or illegal?

11 MR. MACDONALD (H.A.): It's just
12 competition.

13 THE CHAIRMAN: Mr. Letherby?

14 Well, Mr. Hessin, would
15 you supply our secretary with a list of your members
16 of your Association?

17 MR. LAUGHTON: We will send him a
18 copy, Mr. Chairman.

19 MR. BUKATOR: A copy of the by-law
20 too, if you don't mind, your code of ethics. I just
21 want to resume my thinking at the beginning for just
22 a minute or two. You have explained your contract.
23 The lady has subscribed for five books and through
24 your good judgment you find she may not be able to
25 pay for the five of them. You don't send her the
26 five, you send her maybe two. Is that it?

27 MR. MACDONALD (H.A.): No, I'm afraid
28 we don't do that. Either all or nothing.

29 MR. BUKATOR: Nothing at all. Well
30 then, if you go all the way with them and for some



1 unknown reason the books do not come through because
2 of the publisher not getting them out, which apparently
3 is no fault of your own. The lady does not pay. Then
4 who does the contacting in that rare instance, of
5 calling her? Do you people do that?

6 MR. MACDONALD (H.A.): No, each
7 company looks after its own accounts. What goes
8 on in somebody else's -- this is an area -- we know
9 more about what happens to the sales people, but
10 what goes on in 10 million offices, I don't know.

11 MR. BUKATOR: Then if the complaints
12 come through these offices you wouldn't be acquainted
13 with them at all? The problem is between the purchaser
14 or the subscriber and that particular publishing
15 house and you are not acquainted with them at all.

16 MR. MACDONALD (H.A.): Well, I know
17 how we would handle it. If we got a complaint we
18 would attempt to pin it down to a certain magazine
19 or a specific. Then we immediately contact the
20 publisher and tell him the date and all the particulars
21 and they will, in turn, without even checking, will
22 put that customer on the list. We very seldom -- as
23 long as it comes through us they put it on the list.

24 MR. BUKATOR: Mr. Chairman, the point
25 I am trying to make is that the books do not come
26 through in this instance and the lady says: "I'm not
27 paying or sending my coupon in because I am not
28 getting my books." Then comes the pressing letter
29 that we are going to sue you if you don't pay. She
30 in turn writes, and they correspond back and forth with



1 the proper authorities and the books do not come
2 through and the threats come through and the lady
3 loses -- as a matter of fact I am speaking of
4 the clerk of the village that I come from --
5 prominent and decent people. And for her to have this
6 burden thrown on her shoulders along with the fact
7 that her husband had been operated on, was a little
8 more than she could bear. And she contacted me and
9 I, in turn, said sometimes people complain when they
10 have no right to complain. So I have just ignored
11 it until it came before you and I thought the place
12 to get this information was right directly from the
13 horse's mouth.

14 THE CHAIRMAN: Would you like to
15 give him the information?

16 MR. BUKATOR: Yes, I'll give it to
17 you right now. Mrs. R. M. Callan, and she lives on
18 First Street in the Village of Chippewa -- no, Third
19 Street, I beg your pardon. The post office will get
20 it to her. I would like to know if she got her
21 problem settled

22 THE CHAIRMAN: If you could investigate
23 that and let us know what you find out we would be
24 very happy.

25 MR. HESSIN: We'd be very happy to.
26 And, Mr. Chairman, may I send these copies care of
27 the secretary, so that you may distribute them?

28 MR. LAWRENCE: Some of these companies
29 have their own house collection agency, don't they?
30 Or do they?



1 MR. HESSIN: I would say Yes.

2 MR. LAWRENCE: Do you have any rules
3 or standards in regard to that?

4 MR. LAUGHTON: I think there is only
5 one. (Rest of statement inaudible).

6 THE CHAIRMAN: Thank you gentlemen
7 for your cooperation in being with us this afternoon.
8 Unless there is anything else this meeting is
9 adjourned and we will meet here tomorrow morning at
10 ten o'clock.

11

12 ---WHEREUPON THE MEETING ADJOURNED UNTIL TUESDAY,
13 NOVEMBER 17, 1964 AT 10:00A.M.

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